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Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna, on Monday, 7 November 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 10.25 a.m.

OPENING OF THE THIRTEENTH SESSION

1. The PRESIDENT declared open the thirteenth session of the Industrial Development Board.

2. Great expectations had been aroused by UNIDO, which it was hoped would be able to find solutions to the problems created by the major global changes currently affecting all economic and social sectors. In that context, the great challenge facing the world was to accelerate the pace of industrial development in the developing countries in order to meet the aspirations of their peoples. The General Conference session at Yaoundé had formulated approaches and solutions to those problems and had established priorities. The present session provided an opportunity to ponder on the extent to which the Organization had so far succeeded in implementing the historic decisions taken at Yaoundé.

3. The documentation prepared for the session gave grounds for both optimism and concern. Thus, while important steps had been taken towards the restructuring of UNIDO's departments and programmes in conformity with the priorities established at Yaoundé, there was still a long way to go. The cause of the problem was not so much the shortcomings of programme managers as the failure of the world community to provide UNIDO with the necessary financial, technological and human resources. At the same time, the budgetary situation had improved as a result of the contributions made by a number of Member States, which amounted to a vote of confidence in the Organization. He hoped that more contributions would be made available and commended the Director-General on his decision to allocate budgetary savings to priority programmes, including those relating to the least developed countries, the UNIDO Country Director (UCD) programmes and programmes for the industrial development of African countries.

4. As the twenty-first century approached and the gap between industrialized and developing countries, particularly the least developed among them, continued to widen, a great responsibility was thrust upon the Board. Unless policies were drawn up to expedite the transfer of technology and industrial know-how to the developing world, UNIDO would fail to meet its constitutional obligations. If the raw materials so abundant in the developing countries were used in industrialization, it would

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benefit both producers and consumers, especially in the pharmaceutical, food and clothing sectors, as well as offering many other advantages in a world where resources were being depleted as a result of environmental hazards or irrational use.

5. The contribution of women to development was comparable to that of men, and indeed exceeded it in some African rural districts. If women were helped to establish small- and medium-scale industrial concerns, economic development would be greatly enhanced. By contributing to the achievement of that goal - one of the priorities established at Yaoundé - UNIDO would be providing an incentive to women in the context of preparations for the forthcoming Fourth World Conference on Women at Beijing.

ADOPTION OF THE AGENDA FOR THE THIRTEENTH SESSION (IDB.13/1/Rev.1)

6. The PRESIDENT drew the Board's attention to the provisional agenda (IDB.13/1/Rev.1), which contained the items approved at the twelfth session and a supplementary item, namely item 13. He understood there was general agreement to include the supplementary item.

7. The provisional agenda (IDB.13/1/Rev.1) was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

8. Mr. DE MARIA Y CAMPOS (Director-General), after welcoming participants, said that strong efforts had been made throughout the year to make UNIDO's voice heard in international forums and conferences, particularly those addressing global priorities and concerns. At the United Nations system level, the Secretariat - apart from regular meetings such as those of the Administrative Committee on Coordination - had participated actively in the debates of the Economic and Social Council, the Commission on Sustainable Development and the General Assembly. It was also fully involved in the preparatory work for the World Summit for Social Development and the Fourth World Conference on Women. He had personally addressed the Second Committee of the current General Assembly by presenting a statement on industrial development cooperation, copies of which were available to Member States. The basic message had been that economic development was the major force for lasting social progress and long-term sustainable development and that industrialization must be the centre-piece of any broader agenda for development. UNIDO's role in that process was very clear and he hoped that the Board's deliberations at the present session would further endorse it.

9. Generally speaking, there was a renewed interest around the world in industrial and technological issues as well as a feeling that, while much weight had been given to the concept of "post-industrial" societies and "service economies", in practice the developed countries and those developing countries that had been growing rapidly and in a sustained manner had continued to emphasize industrialization and technological development. At both governmental and private-sector level in the developing countries, it was widely acknowledged that the challenges of industrialization, technological development, international competition and some crucial global issues had to be met by their own initiatives, actions and resources. However, following the Yaoundé Conference, there were also high expectations that UNIDO might complement such efforts through the supply of industrial information, policy and institutional advice, and technical expertise, as well as playing the role of honest broker on crucial industrial development issues and that of a catalyst of international industrial cooperation. That perception had been reconfirmed at the Third East-West Conference of Ministers of Economy, Industry and Trade, held at Warsaw in May 1994, and at the International Conference on Human Resource Development held in Sweden in June. Furthermore, an industrial policy forum organized by the Latin American Economic System, UNIDO and the Inter-American Development Bank had demonstrated the determination of Governments and businessmen in the region to give high priority to modernizing and strengthening their industries.

10. Turning to the agenda for the thirteenth session, he drew particular attention to item 3. Organizationally speaking, progress had been made in discharging new responsibilities. Through a combination of recruitment, promotions and reassignments, all Managing Director positions, as well as most of the Head of Branch or Chief of Section posts, had now been filled. In that connection he had great pleasure in introducing Ms. King-Akerele, who had taken charge of the Country Strategy and Programme Development Division, and Mr. Piskounov, who had taken over the Human Resource, Enterprise and Private Sector Development Division. In filling other positions, he would continue to seek the highest competence as well as an equitable geographical and gender distribution, with particular emphasis on candidates from non- or underrepresented countries, and appealed to Member States to nominate suitably qualified candidates.

11. Turning to the crucial question of the focusing and prioritization of UNIDO's activities, he recalled that from the outset of the reform process sharper focusing had been a key issue. Indeed, the very basis of restructuring had been the definition by consensus of lead themes or "development objectives" towards which UNIDO's programmes should be directed. At the same time, the objectives and connected "priorities" of UNIDO as a "demand-driven" organization of the United Nations system must fully reflect the priorities of the recipient countries. UNIDO had to respond to the industrial development priorities and demands of Member States in accordance with its Constitution and the universality of a United Nations organization. Given the multitude of agencies involved in supporting industrial development, as well as their changing roles, UNIDO obviously had to review and monitor its specific functions and activities in a systematic way. The comparative advantage principle must be the point of departure for determining the core programmes and services of the Organization, not in a static but in a dynamic sense. Moreover, dwindling financial resources forced UNIDO to specialize its services and staff capacities - a task to which particular attention was presently being devoted. While appreciating the support and suggestions of Member States in that matter, he appealed for breathing space and sufficient time to elaborate the concept of specialization, to fine-tune the core programme of services and to reallocate, retrain and recruit the necessary human resources.

12. The efforts so far made included, first, the continuous updating of the demand map, comprising preparation of country briefs, UCD reports on requirements and demand for UNIDO services, a series of industrial-sector programme review missions to developing countries, close consultation between senior staff and policy makers in Member States and the preparation of UNIDO country support strategies. Progress reports would be issued periodically.

13. Secondly, efforts to pursue priorities within the five development objectives had been improved. Within each priority the Secretariat had defined functions or services where the Organization would be concentrating in future, thus providing a clear menu of what UNIDO could offer in various areas, some of which had traditionally been covered, whereas others were areas of growth for the future. In order to achieve that prioritization, account had been taken of the demand for UNIDO services in the developing countries, the substantive capabilities of the Organization and available resources. Criteria for concentration had been formulated in many spheres, for example in the food sector, where UNIDO had been working on 20 subsectors in the past. As a result of the focusing process, UNIDO was now concentrating on half the number of subsectors and on a limited number of programmes. Similar work had been taking place regarding other industry and technology sectors as well as thematic and cross-sectoral topics.

14. In many areas, such as women, information, private sector development and small and medium-sized enterprises, UNIDO was now focusing on the creation of national capacities. Its aim was to strengthen and complement the efforts of Governments and the private sector, not to substitute them as had sometimes occurred in the past. Everything that he had mentioned so far concerned concrete achievements, not just good intentions.

15. A third step was the application of the internal process of screening and quality assurance as outlined in the new guidelines for the service management process. UNIDO had been spread too thinly in the past. Pressed by falling UNDP financing, it had been carrying out activities that were sometimes beyond its mandate and technical capabilities, particularly in the case of projects financed through trust funds, which did not go through normal screening and approval procedures. From early 1994, all projects, including those financed through trust funds and under the Industrial Development Decade for Africa (IDDA), had been included in the service management process. In that context he had been emphasizing a return to UNIDO's original mandate and clear observance of guidelines on priorities as they were approved. That process, including examination by the Programme and Project Review Committee (PPRC), provided the tools for assessing project proposals as to their funding prospects, relevance, cost-effectiveness and sustainability, as well as their suitability for implementation by UNIDO. As a result, even very sizeable projects, which could have contributed significantly to operational budget income, had recently been turned down, which clearly indicated the seriousness of the efforts being undertaken.

16. The work of PPRC had led to a substantive improvement in the quality of UNIDO projects. Up to 30 September 1994 it had reviewed 249 projects, for a total value of $47,569,724; 64 per cent of the projects had been cleared, 24 per cent sent for reformulation and 12 per cent rejected.

17. His general aim in shaping UNIDO's future technical cooperation programme was to move upstream and provide critical high-impact services. At the same time, however, UNIDO must continue to play a significant role in technical cooperation in those regions, countries, sectors and subjects where demand was highest and the necessary technical capacity was available. It should be noted that the severe difficulties in mobilizing funds for such technical cooperation at a time of growing aid fatigue imposed major limitations on the programme as a whole, while the gap between identified demands and available resources was widening, particularly in the regions and countries that needed UNIDO most, namely Africa and the least developed countries. To translate priorities into action, the support and financial assistance of Member States were essential. Donors also had to assume their responsibilities in the reform process.

18. Regarding activities financed under the regular budget, UNIDO was undertaking an intensive elaboration of service priorities within subsectors, regions, cross-sectoral issues and individual programmes, with the result that the range of such activities had already been curtailed in spite of a growing demand for many of them.

19. The results of all those endeavours and the outcome of staff seminars, working groups and branch-level business plans yielded concrete guidelines for the focused work programme of the present biennium and a basis for the elaboration of the 1996-1997 programme and budget. In addition, he intended to present some new ideas for savings in administrative and supporting functions and for the reallocation of resources to identified demand for core services and technical cooperation. Recent meetings with the regional groups had revealed a perception on the part of some Member States that the prioritization exercise had not advanced rapidly enough, as well as a desire for better communication on programme and project development. On the first issue, he intended to present to Member States before the next Programme and Budget Committee session a synthesis of all such efforts, showing the focusing of activities that had been attained and activities that were being de-emphasized. Most importantly, he would present a final set of criteria for the selection or rejection of technical cooperation projects, taking into account UNIDO's mandate, objectives, priorities, technical capabilities, comparative advantages and availability of resources. As UNIDO's stockholders, he invited Member States to present ideas for improving those criteria.

20. On the other hand, he fully understood the wish of some Member States to be better informed about UNIDO's programme and project development. To that end, he would arrange for periodic informal meetings in which interested States could review progress on project development with staff concerned, and organize briefing meetings on specific priority programmes. But he appealed to Member States to adhere to their stated principle of not becoming involved in micro-management: once priorities and criteria were defined, the operation should be left to UNIDO.

21. The Secretariat looked back on the achievements of the past ten months with pride. It was confident that UNIDO was on the right track; and faster progress was being made than in other comparable organizations.

22. Under agenda item 4, Member States were provided with detailed reports on specific activities carried out in 1994 in major programme areas. He felt that the level of services rendered to Member States was remarkable at a time of difficult restructuring and adjustment and diminishing resources.

23. At the regional level, priority continued to be given to the least developed countries and to developing countries in Africa. Following the recent General Agreement on Tariffs and Trade accord, major structural changes would be needed to ensure the accelerated growth and increased competitiveness of African enterprises. That had been highlighted in a paper submitted by UNIDO to the International Conference on the Implications of the Uruguay Round Agreements for the African Countries, held at Tunis in October 1994. It was expected that those ideas would be considered further at the meeting of the Conference of African Ministers of Industry in May 1995. While retaining the priorities already mentioned, UNIDO would continue to meet the needs of other developing regions, each of which would require its own approach. The advanced developing countries in Asia and Latin America continued to require services in such new areas of cooperation as achieving full international competitiveness and acquiring the related technological capabilities. UNIDO was also increasingly being asked to become an effective catalyst of industrial cooperation among developing countries, especially now when the opportunities for such countries to learn from each other were growing and there was increased political will for South-South cooperation.

24. Inter-agency coordination was one area which had been accorded special attention over the past few months. UNIDO had initiated a number of joint actions with the United Nations Development Programme (UNDP), UNESCO, ILO, FAO, the United Nations International Drug Control Programme (UNDCP) and the IAEA. Similar cooperation schemes with regional organizations were being explored in order to coordinate programmes and projects, to avoid duplication of efforts and to generate creative momentum.

25. Progress had also been made towards fund mobilization from non-traditional sources through closer collaboration with the World Bank, the regional development banks, United Nations funds and regional organizations like the European Union. The support provided by the Inter-American Development Bank and the European Union had resulted in a project for Slovakia, to be carried out in cooperation with the French Government, as well as an innovative programme aimed at promoting joint ventures and strategic alliances between developing regions and economies in transition.

26. The Organization's financial position was fairly stable and improving steadily, though there was a continuing need to ensure that there were no undue delays in payment of assessed contributions. The collection rate for assessed contribution as at 31 October 1994 was slightly higher than at the same date in 1993. Reduced expenditures on staff costs would mean that some budget resources would not be utilized. As document IDB.13/22 indicated, those resources were to be reallocated to: field representation; financing the continuation of the present UNIDO Country Director coverage through 1995; industrial-sector review missions, particularly for the least developed countries and the African developing countries; and certain priority programmes in such areas as environment, information and policy advice.

27. Efforts to balance the operational budget in 1994 had been adversely affected by the continued decline in the value of the United States dollar against the Austrian schilling: the Organization had lost around $700,000 for that reason in 1994. Every effort was being made, however, to meet the delivery and income targets for 1994, and expenditures were being reduced, mainly through the transfer of staff from operational budget posts to vacant regular budget posts. Despite the difficulties experienced, he remained confident that the operational budget would be close to being balanced at the end of 1994.

28. While the restructuring had been basically completed, new specialized staff recruited and new management mechanisms devised, the reform process was still continuing. A number of demanding tasks remained to be performed: redesigning UNIDO's field presentation; reviewing personnel policies; improving management incentives and accountability; strengthening of coordination functions at the Director-General's office and promoting teamwork. The hard work, commitment and dedication of staff was at the heart of the reform process. After the strains involved in adapting to new functions and responsibilities as well as to staff reductions, there was now a great readiness to form teams and work towards shared goals. Yet time would be required to make that approach fully effective.

29. The reform process had made good and rapid progress, but the Organization could not work miracles. He therefore called upon Member States to support the process over the long term. UNIDO needed funds to match its core services and priorities and to coincide with the needs of various developing regions. It required full support for decentralization and for the strengthening of field representation and would require the collaboration of Member States to back up an active public information strategy that would inform the public of what had been achieved so far - and that was a great deal.

ORGANIZATION OF WORK

30. The PRESIDENT noted that at previous sessions, with the aim of effectively utilizing conference-servicing resources, the Board had decided to suspend the quorum requirement laid down in rule 32 of the rules of procedure. Under rule 80, such a decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its thirteenth session only and with immediate effect, rule 32 of the rules of procedure, on the understanding that the suspension would apply only to meetings at which no substantive decision was taken.

31. It was so decided.

32. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in its decision IDB.5/Dec.46.

UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE (IDB.13/27 and 31; IDB.13/CRP.1)

33. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, said that the statement made by the European Union at the twelfth session of the Industrial Development Board was still valid today: the reform process was well under way, but a good deal remained to be done. There was every reason to believe that the steps relating to quality assurance set out in document IDB.12/8 would be implemented. The intention to explore existing systems to achieve better teamwork and to carry out programming missions and dialogue with a wide range of partners in industrial development were welcome. UNIDO should emphasize activities in areas where the industrial development of the countries concerned was obstructed. The comments in document IDB.13/27 on personnel policy were encouraging, but the importance of training for promoting flexibility must be borne in mind.

34. With regard to the crucial issue of prioritization, there was also encouraging news. Efforts to orient the budget process towards programmes and cost centres would significantly improve the prospects for assessing the degree to which prioritization had already occurred. The fact that increased emphasis was to be given to Africa, small- and medium-scale enterprises and agro-industries was an encouraging development; further information on the strategy papers being prepared on those subjects would be welcome.

35. No clear picture was yet available of what UNIDO's priorities would be in the future. It would be vital to obtain a clear picture during 1995, because quality and focusing were two sides of the same coin. UNIDO must have a sufficiently broad menu to offer to developing countries, but the menu must be consistent with the number and specialities of staff. If some areas were to receive higher priority, others inevitably would be de-emphasized or removed altogether. Very little information had been received on that subject, however. It had been indicated that progress had been made in a few areas and that the aim was to prioritize within sectors rather than between them, and it appeared that obtaining consensus within the Secretariat had been difficult. But the Secretariat was not a debating society: it was a hierarchy in which the Director-General took and was responsible for decisions. If the UNIDO reform was to be successful, choices had to be made and a painful process had to be pursued. The Director-General had a mandate for such action in the General Conference's endorsement of document GC.5/23. Flexibility was needed in the implementation of the reform. The Union was ready to explore with the Secretariat and other Member States ways in which the Organization's financial regulations could be amended to enable the Secretariat to be more flexible and thus more efficient in delivering its services to recipient countries. A case in point was the provision in the Constitution that only 6 per cent of the regular budget could be used for technical cooperation.

36. The members of the European Union and Austria were fully aware that time was required to implement the UNIDO reform. It was therefore understandable that the documents submitted at the Board's twelfth session had not been very specific and that the same was largely true at the current session. That was, nevertheless, a source of disappointment, and it was to be hoped that, at the next session of the Board, something far more informative could be submitted.

37. The problem was not only that reform took time: it was necessary to demonstrate to Member States that the reform was being implemented, not only in terms of structure but also in respect of working methods and substance. At the twelfth session of the Board, it had been pointed out that some Member States regarded the results of the reform process as crucial to their future relationship with the Organization: that message was even more urgent today.

38. Mr. GORELIK (Russian Federation) said that in the year since the long-awaited decision on reform, a number of measures had been adopted to reorganize UNIDO's activities in the light of the needs of all Member States, for example in the area of technical cooperation. As a result, the quality of the services provided by the Organization had already improved, genuine partnership in international industrial cooperation was being promoted, account was being taken of the restructuring under way in other parts of the United Nations system and activities were being decentralized and transferred to the field. He agreed that the Secretariat should prepare a list of UNIDO priority services. In that context, he endorsed the view (IDB.13/27, paras. 18 and 19) that such services should focus on the fields in which UNIDO had special capability and expertise. However, other areas of vital importance should also be included such as assistance in the conversion of military industrial enterprises to the production of civilian goods, and assistance in the transition from a centrally-planned to a market economy. Those two aspects could be tackled through a combined regional, subregional and thematic approach as described in paragraph 21. The growing attention paid by UNIDO to small and medium-scale enterprises was welcome; it was expected that the Organization would make an important contribution to the meeting to be held in 1995 on the development of such enterprises in Central and Eastern Europe and the former USSR.

39. The trend towards greater coordination of UNIDO activities with those of other organizations in the United Nations system was welcome. He viewed with interest UNIDO's growing contribution to the analysis and study of comprehensive global problems and its participation in international forums on such subjects. However, the Organization should not try to tackle all the problems facing the international community. The work of the United Nations system was based upon the principle of complementarity of action; each agency should concentrate on its own particular area of expertise.

40. On the whole, the Russian delegation found the current reform of personnel policy positive. However, certain imbalances in geographical distribution of posts within the Secretariat, as a result of restructuring, had not yet been totally

eliminated and a number of individual countries were underrepresented with regard to both the overall number of posts and their structural distribution. However, the continuing review of personnel policy was welcome. Recent work by UNIDO to improve staff quality and to encourage higher standards of competence and improve promotion policy was very important. He also endorsed the view expressed by a number of Member States that the Director-General should make greater efforts to recruit new staff from outside the Organization, if need be replacing existing staff to do so. Such action was sometimes necessary as some staff in international organizations tended to become cut off from the realities of life outside the organization and lose their ability to adapt to them. It would be appropriate to recruit persons with experience not only in the international sphere but also at national level, and familiar with the most recent technologies and means of production.

41. In that connection, he considered that introduction of a maximum contract term of eight years would not endanger the principle of continuity but would bring new blood into the Organization that would maintain the best traditions of its staff while preventing complacency and stagnation. Such contracts should apply in the first instance to specialists who were required to have an extensive practical knowledge of current industrial technologies, and new techniques and approaches.

42. Mr. OCHOA (Venezuela), speaking on behalf of the Group of 77, said that the Group reaffirmed its overall support for the Organization's efforts to assist, promote and accelerate the industrialization process in the developing countries. It hoped that other Member States would cooperate in such activities.

43. The Group felt that considerable progress had been made since the adoption of the Yaoundé Declaration. It encouraged and fully supported the restructuring and reorientation of UNIDO's priorities and programmes as decided on at the fifth session of the General Conference. However, serious consideration needed to be given to improving the representation of developing countries in recruitment for and promotion to posts at all levels in the Secretariat in particular with regard to Professional staff and senior posts. The Group was aware that the process of revitalization could not succeed unless assessed regular budget contributions were paid in full by Member States and voluntary contributions from major donors and international financial institutions were increased. The Group was concerned by the decrease in operational budget resources and encouraged the Secretariat to continue negotiations with UNDP and other donors with a view to obtaining increased contributions. A greater proportion of the regular budget should also be assigned to operational activities.

44. The Group also attached importance to the UNIDO Country Director programme, which required sound and sustainable funding from the regular budget as well as additional resources so that the target of 50 UCDs could be achieved or at least the present number of country offices maintained. It was concerned at the possible reduction in UCD posts by the end of 1996; it was time to seek a permanent solution allowing the programme to be made an integral part of the Organization, with the aim of increasing field representation and decentralization.

45. The Group recognized the importance of industrial development cooperation and South-South cooperation based on efficient use of available resources, technology and manpower. The Organization should strengthen its efforts to improve such cooperation. Modernization and competitiveness were also essential for the industrial development of developing countries and for increasing their participation in the world economy and trade.

46. Mr. CHEN Shiqiu (China) welcomed the new organizational structure of UNIDO. The new management and coordination mechanisms introduced by the Secretariat and the guidelines and procedures laid down for UNIDO services provided a good foundation for strengthening the Organization's management. He noted the technical cooperation programme prepared in accordance with the defined priorities of the Organization and the needs of developing countries. Given the limited financial resources of the Organization, the steps the Secretariat was taking to focus and prioritize its work and avoid overextending the Organization were also appreciated.

47. He noted the efforts being made in the sphere of personnel policy, and welcomed the assurance that full attention would be given to the principle of equitable geographical distribution. That principle was particularly important at senior levels, and he hoped that existing shortcomings would soon be remedied. His delegation took a close interest in the organizational and staff structure of UNIDO. The primary goal in its restructuring should be to achieve efficient working methods. Realistic redefinition and accurate description of the duties of each organizational unit would ensure a clear-cut and logical division of labour and efficient coordination. Ongoing reform of the staffing and financial aspects of the Organization were also needed and the various reform measures decided on should be conscientiously implemented. Technical cooperation activities should be planned in a rational way that took into account the newly defined priorities. To that end, the various departments concerned should exercise strict control over programme formulation and project approval.

48. Mr. HODEL (Switzerland) said that Switzerland wholeheartedly supported the ongoing reform process and was eager to see its results, which it would judge from the standpoint of quality.

49. A clear picture of the role of UNIDO among the various multilateral institutions active in the field of industrial development had not yet emerged. It was essential, in the context of the present reform, that the Organization's role should be defined carefully and without delay. Donors could no longer afford to support parallel activities carried out by a number of agencies. Although he was in agreement with country programming in collaboration with UNDP and other organizations, he did not feel that the activities and capabilities of other organizations were being subjected to a thorough analysis to help UNIDO to define its niche better and set priorities. For example, he did not consider that UNIDO had a role at the macroeconomic level, an area in which

other institutions such as the World Bank were better placed to assist developing countries. He would urge that such an analysis should be carried out as soon as possible.

50. Although the number of priorities had been reduced in comparison with the past, new activities had been added; they should be streamlined to minimize the demands they would make on staff. In particular, participation at large world conferences such as those on social development and on women should not distract the Organization from its main tasks, which in themselves would make a valuable contribution to improving social welfare and the status of women.

51. The priorities set out in document IDB.13/27 were not fully satisfactory. Until the role of UNIDO vis-à-vis other multilateral institutions had been properly defined, such priorities would lead to a duplication of effort. Private sector development was an issue dealt with by all development banks. What UNIDO should do was contribute to the overall effort with its own expertise. The same was true regarding small and medium enterprises. Switzerland considered that UNIDO's priorities should be the promotion of investment, the transfer of technology and environment/energy programmes. Concentration on those three priorities would make possible a much greater contribution to such goals as the alleviation of poverty, industrial development and development of the private sector than trying to compete with other, larger organizations. His delegation would thus urge the Director-General to rethink the priorities of the Organization.

52. On the other hand, UNIDO's efforts to move towards a budget process based on programmes and cost centres were to be applauded. Switzerland also considered that most of the contributions to overhead costs paid by donors on projects should be allocated to the sections that had prepared and executed those projects. The appropriate specialists could then be engaged and expertise constantly readjusted to meet the needs of developing countries. Switzerland reiterated its support for the reforms in progress: they should be implemented speedily to enable delivery of technical assistance to be improved.

53. He asked what the reasons had been for the rejection of the 12 per cent of projects mentioned in the Director-General's introductory statement.

54. Mrs. OK (Turkey) said that despite the expected gradual revival of the world economy, with better terms of trade for many exporters of primary commodities, disparities in levels of development continued to increase; the countries of the North accounted for one fifth of the world's population but received four fifths of its income.

55. Since the United Nations had recognized development to be one of its chief tasks, Turkey was pleased that UNIDO under its new leadership was seriously endeavouring to play its part in the United Nations agenda for development, into which its five oriented objectives fitted appropriately. The capacities of productive sectors, primarily agriculture and industry, to generate economic growth and ensure its equitable distribution were crucial to social development. Industry provided critical supply and processing functions for other economic and social sectors. UNIDO should be actively engaged both as a main source of industrial information and statistics and as a major information base on alternative industrial technologies and essential industrial services, its role being that of a key intermediary or "honest broker" in joint or cooperative arrangements between Governments, institutions and enterprises in different countries.

56. She commended the efforts of the Director-General to initiate a process of prioritization; however, the process should continue. She welcomed the emphasis on support for regional and subregional cooperation, strengthening capacities for formulating industrial strategies and policies, enhancing the productivity and competitiveness of the private sector, and developing competitive and dynamic small and medium enterprises. She also welcomed UNIDO's involvement in the United Nations system-wide policy dialogue within the framework of the Commission on Sustainable Development. Turkey was pleased that the Organization was involved in activities under the Multilateral Fund for the Implementation of the Montreal Protocol, with the help of cooperation between environment and industrial subsector expertise in the Investment and Technology Promotion Division.

57. Her delegation further appreciated UNIDO's support for rehabilitation and reconstruction in post-emergency settings, an integrated programme having been developed to restore equipment in established industrial subsectors, to create a local industry for reconstruction and to alleviate war damage to the environment, in the context of assistance to Bosnia and Herzegovina. The Turkish Government had pledged $1 million in cash and kind to the programme, and hoped that it would be fully funded by the major donors and that an early start could be made on the project.

58. Despite those positive developments, her delegation saw a need to further refine priorities and development objectives: the medium-term plan should serve as a programme framework in determining the work programme for the biennium 1996-1997. UNIDO must do more to select the areas of focus where it could achieve the greatest impact.

59. She commended the effort to establish a new, contemporary personnel policy. The technical skills training that had started in 1994 would help adapt the Organization to new requirements. She especially welcomed the seminars and workshops on team-building and effective management. The arrival of Ms. King-Akerele as the second female Managing Director of the Organization was welcome but, despite the increased percentage of women in UNIDO, the representation of women remained well below the desired level. That level could be reached through external recruitment as well as new opportunities for inside promotion of women. Her delegation further believed that, while the capacities of existing staff could be improved by in-house training, young, highly capable recruits at lower Professional levels were also needed.

60. Referring to document IDB.13/31, she congratulated the Director-General on encouraging dialogue with the staff. Turkey supported the staff's comments concerning: an appraisal scheme allowing effective performance assessment, equitable evaluation of behaviour and a fair indication of development potential, the scheme

being matched by appropriate training courses; the establishment of a staff inspection unit independent of line management; and the use of full economy fares as a base rate for home leave entitlements.

61. Mr. KELLAND (Observer for Denmark) noted that the representative of Germany, speaking on behalf of the European Union, had said that some Member States regarded the results of the reform process as crucial to their future relationship with the Organization. He wished to spell out what that statement meant for his Government. Denmark fully realized that a wind of change had swept the Organization since the arrival of the present Director-General and appreciated and supported his efforts to increase UNIDO's development impact. It realized that reform took time and that concrete results of the Director-General's efforts could at present only be visible to a very limited extent, but felt that it was only right at that stage to signal that, if towards the end of 1995 it could not be established that substantial concrete progress had been made in the efforts to reform UNIDO, the Danish Government would seriously consider leaving the Organization.

62. Mr. AARDAL (Norway) expressed his delegation's full support for the statement made by Germany on behalf of the European Union and Austria. Norway appreciated the continued reform effort of the Organization and attached importance to the process. A comprehensive reform was time-consuming and difficult, and his delegation realized that the final results of the reform could not be expected at the present Board session.

63. At the Board's previous session, the Director-General had concentrated on structure and management matters. Little information had been received on UNIDO's future priorities and key focus areas or on the Organization's substantive capabilities. Norway had expected further elaboration on those matters at the present session. At the next session, it would like to hear more about the Director-General's clearly defined goals for the Organization, with details as to which areas were to receive lower priority. It sincerely hoped that such information, together with information on the Director-General's plans for moving towards more upstream activities by establishing within UNIDO a centre of excellence for industrial development, would be presented at the next session. However painful the deselection of certain areas might be, it would perhaps be necessary to go through such a process in order to keep all UNIDO Member States on board.

64. Mr. AKAO (Japan) said that, at the twelfth session of the Board, it had been recognized that time was needed for fine-tuning of the new organizational structure, together with the new managerial procedures and mechanisms, prior to in-depth discussion of the process. Japan was now very interested in hearing about the progress that had been made by the Director-General.

65. With regard to document IDB.13/27, his delegation appreciated the continued efforts to ensure successful implementation of the new UNIDO framework and supported further steps to guarantee the timely and effective delivery of UNIDO services. It nevertheless considered that the report should include a more detailed comparison of the past and present situations and provide analytical information on the reform process. Japan had expected more detailed information on the performance of the Programme and Project Review Committee in its important role of improving project quality, and would be interested in the report of the task force on savings within the Organization.

66. Having studied document IDB.13/27, his delegation believed that the prioritization of activities and concentration on target countries should be further accelerated to enable UNIDO to present a more attractive and reliable image and ensure the Organization's survival. To that end, the clear prioritization of target countries, functions and sectors was of primary importance. It was recognized that the least developed countries must be the top priority for UNIDO. For countries that had joined the "developed" category, the concept of graduation from the services of UNIDO should be introduced and their eventual self-reliance encouraged. The services of UNIDO for middle-income countries should focus on policy advice, honest brokering for investment promotion, and the promotion of South-South cooperation.

67. With regard to UNIDO's sector activities, he was sure that the reform process had revealed that, owing in part to the drastic changes in the economic circumstances of many countries, there were some sectors in which the need for UNIDO services had clearly diminished. UNIDO should further streamline its structures and services, integrating and reassigning existing experts or posts accordingly.

68. Both strong leadership by the Director-General and commitment from the staff were prerequisites for the successful reform of UNIDO. His delegation supported the introduction of performance appraisal and accountability systems and of merit award systems. Such new personnel policies would help revitalize UNIDO and its activities.

69. He recognized that reform was a long-term process and that more time was needed before its results could be properly judged. He wished to emphasize the importance of the efficient and effective implementation of UNIDO activities from the stage of the identification of needs to the formulation, appraisal, approval and execution of projects and their final evaluation. Japan was closely following the ongoing UNIDO reform process in a cooperative spirit. It wished also to stress the importance of timely payment of contributions. Japan, for its part, had increased its Industrial Development Fund and trust fund contributions.

70. Mr. AMMAR (Tunisia) thanked the Director-General for his efforts to revitalize and modernize UNIDO and to provide it with key personnel recruited on the basis of competence and equitable geographical distribution. He also welcomed the emphasis placed on Africa in project implementation. In Africa, industry, as a factor of integrated economic development, was not as yet able to assume its rightful role. Close cooperation with the African countries was required to meet the urgent needs of their industrial enterprises.

71. The International Conference on the Implications of the Uruguay Round Agreements

for the African Countries, held at Tunis in October 1994, had rightly been regarded as evidence of a partnership for the development of Africa. The President of Tunisia had launched an appeal for greater integration of the African continent into the world economy in order to guarantee global development for the benefit of African populations. The Tunis Conference had taken note of UNIDO's proposals to modify industrial strategies as part of efforts to increase economic efficiency. Industrial development had to be made a more autonomous process so as to establish the essential intersectoral links and promote the endogenous development of that activity. The importance of standardization and quality control had also been emphasized. In that connection, his delegation wished to stress the importance of the deliberations at the next meeting of the Conference of African Ministers of Industry, to be held in May 1995.

72. His delegation approved the content of document IDB.13/27. Special attention had been given to programming activities aimed at establishing close links between the changing needs of developing countries and the establishment of an order of priority for UNIDO's services. The direct contacts that the Director-General and senior UNIDO officials had recently had with leaders of private industry in the developing and developed countries had highlighted the role played by industry as a locomotive for growth and hence the chief basis of socio-economic development.

73. Despite enormous progress, bottlenecks remained that would require concentrated effort if they were to be overcome. Nevertheless, in view of UNIDO's limited resources, Tunisia appreciated the efforts made to give priority to the various technical cooperation projects.

The meeting rose at 12.20 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 7 November 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 3.25 p.m.

ORGANIZATION OF WORK (continued)

1. The PRESIDENT said that the Bureau had recommended the establishment of informal in-session consultations to facilitate the drafting of decisions. Experience had shown that such consultations made it easier to reach consensus on draft decisions. All members of the Board were urged to participate in the consultations. The Bureau had also recommended that Mrs. Ok (Turkey) should chair the consultations in her capacity as a Vice-President of the Board, as she had done at the previous session. Draft decisions would not be discussed in consultations until the debate on the subject in the plenary was over.

2. The above recommendations were adopted.

3. The PRESIDENT said that the Bureau had received a request from the representative of the staff with regard to the presentation of the staff's views to the Board at its present session. The Board would recall that the General Conference, in resolution GC.4/Res.29, had invited the Chairperson of the Staff Council through the Director-General "to provide for consideration to the Member States if necessary the views of the staff ... during the regular sessions of the Industrial Development Board". The Bureau had recommended that such a presentation should be made as early as possible in the consideration of agenda item 3.

4. The above recommendation was adopted.

UNIDO POLICY FRAMEWORK - ORGANIZATION AND STAFF STRUCTURE (continued) (IDB.13/27, IDB.13/31; IDB.13/CRP.1)

5. Mr. LILLIE (President, Staff Council) said that recent criticism of international organizations as useless bureaucracies had not spared UNIDO. Bureaucracies might be unlovable, but that did not make them dispensable. The purpose for which UNIDO had been created was still valid: to expand the industrial sector of developing countries in order to ensure their economic and social development, fulfil the basic needs of their peoples and combat poverty and environmental degradation. That was the challenge of sustainable industrial development which UNIDO had to face.

6. The concept of sustainability also applied to the Organization itself, yet the content of its work was still being questioned. Agreement on its priority programmes that met recipient country requirements, enjoyed full support of Member States and attracted funding would help to reinvigorate the Organization, restore its clarity of purpose and curb the inroads into its mandate which other international bodies were making. Those programmes required the support of all concerned - donors, recipients and the Secretariat.

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7. In the absence of considered and complete support, UNIDO would continue to suffer a decline in its operational budget and consequently in its effectiveness. The staff were convinced that, given the tools and resources, and provided that others shared their conviction, the Organization could do its job well. The present session offered Member States an opportunity to provide unequivical guidance on and an agreed view of what UNIDO should be doing to serve the needs of its constituents. The staff were conscious that an effective and dynamic response to client country needs called for improvements in efficiency, quality and cost-effectiveness and hoped such efforts would be matched by an equal measure of commitment on the part of others involved in the development process.

8. The statement of the staff to the Board at its present session (IDB.13/31) touched on their concern over the low level of operational funding and put forward suggestions for lessening the strain on the operational budget. The statement also dealt with the moves to improve performance appraisal and training and the need for equitable geographical representation and proper gender balance, as well as with the moves to simplify procedures, to improve efficiency, cost-effectiveness and transparency and to encourage accountability and teamwork. A great deal was being demanded of the staff; in return, the Organization should strive to be a model employer. The Secretary-General and his colleagues on the Administrative Committee on Coordination shared the staff's concern about the functioning of the International Civil Service Commission - the regulators of common system salaries and terms of employment. FICSA had adopted a policy of non-cooperation with the Commission and its affiliate bodies.

9. The staff's anxiety at the threatened erosion of conditions of employment in respect of home leave entitlement was spelt out in paragraphs 39 and 40 of its paper. The staff doubted whether real scope existed for further significant savings in that item of expenditure, a view borne out by the conclusion in paragraph 26 of the Secretariat's note on home leave entitlements (IDB.13/CRP.5) that UNIDO's present practices were cost-effective. The note rightly indicated that possibilities for achieving further savings "without depriving staff of benefits" should be explored jointly by staff and management. Consultation between them on that issue was more appropriate than its consideration by the Board, which should devote its undivided attention to major issues such as the operational future of the Organization.

10. He expressed the staff's appreciation for the opportunity afforded them to make their views known to the Board. The success of UNIDO was contingent upon a sense of common purpose linking staff, management and Member States.

11. The PRESIDENT conveyed to the staff the Board's appreciation for their valuable remarks, which would receive due consideration. The role of the staff complemented that of the Board in policy determination and was crucial in translating the Board's decisions into action.

12. Mr. AHLANDER (Sweden) suggested that a timetable might usefully be set for the major steps in UNIDO's reform. The structure of the refashioned Organization was becoming visible, and the Director-General's progress report (IDB.13/27) provided a comprehensive picture of what UNIDO's principal activities would be, but the language used made it very difficult to understand exactly what the Organization would be doing in practice and what changes would actually take place. The document described activities that would be strengthened, as well as programmes that would be introduced to meet new demands, but unfortunately it said nothing about those which were obsolete or of marginal utility or simply ineffective. To discuss what UNIDO should stop doing was just as important as talking about its priorities.

13. The Organization had to strike a difficult balance between working efficiently in a few selected fields and remaining demand-oriented. In that connection he had been interested to hear the Director-General, in his introductory statement, explain how UNIDO dealt with project proposals, rejecting a fair number which were not in keeping with its new profile. His delegation welcomed the Director-General's undertaking to provide a synthesis of present prioritization criteria before the next session of the Programme and Budget Committee. It also approved of the prominence given to human resource development, as well as the integration of gender considerations into all UNIDO's activities and the efforts made to remove constraints that prevented women from being not only full participants in development but themselves entrepreneurs.

14. He commended the progress made in the fields of institutional support and private sector development, small and medium enterprises, and environment and energy. It was right that UNIDO's limited resources should be concentrated on policy-making activities rather than on direct assistance to enterprises. His delegation appreciated the Organization's continued involvement in the follow-up to the United Nations Conference on Environment and Development and its general response to the challenge of sustainable development.

15. It was also grateful for UNIDO's declared willingness to work with other international agencies in the area of industrial policy, planning and projects, as well as its intention to send programming missions to selected developing countries. If properly prepared, such missions could be a suitable alternative to permanent field representation. His delegation looked forward to the submission of proposals by the Director-General to the Programme and Budget Committee at its next session on the rationalization of United Nations field representation. In conclusion, he expressed his Government's support for the Director-General and his reforms.

16. Mr. AL NOWAISER (Saudi Arabia), speaking on behalf of the Arab countries Members of UNIDO, said that they had fully assisted in the process of restructuring the Organization and reformulating its priorities. They reiterated their commitment to UNIDO and their support for its work, especially in the Arab region, and they hoped to participate more fully in its staff structure. They attributed great importance to the Organization's programmes for human resources, transfer of technology and training for the benefit of the Arab region. UNIDO's cooperation with the Montreal Fund for Development should be extended to include the facilitation of non-polluting technologies and their acquisition by developing countries.

17. With regard to the Organization's finances, the operational budget should be expanded through the attraction of funds from new, non-traditional sources. As far as the medium-term plan was concerned, UNIDO's regional programmes should receive the fullest possible support. The programme for the Arab region was a significant element in its activities for development and would be helped by an increase in the number of UNIDO offices in the region.

18. The Arab countries hoped that the cooperation agreement concluded in June 1994 between the League of Arab States and the Organization would result in specific programmes and projects for the Arab region. They welcomed the extremely effective contribution made by UNIDO to the preparation of the conference of Arab Ministers of Industry held in the same month.

19. Mr. BENATTALLAH (Algeria) said that despite the increased interest being shown by developing countries in their industrialization, most of them, and especially those in Africa, had derived no advantage from the growth which had taken place in industrial capacity. While it was clear that industry was the driving force in development and that industrialization was a vital means of tackling national problems of population growth and unemployment, the majority of developing countries were in no position to deal with the sophisticated demands of industrial competition. What was more, their day-to-day experience of cooperation with UNIDO led them to conclude that its financial position was too precarious for it to help them overcome that situation. The developing countries therefore questioned whether the will existed for the Organization to function as a worthwhile institution.

20. With regard to the Director-General's report on the item (IDB.13/27), his delegation agreed that the management and coordination mechanisms which had accompanied the introduction of the new organizational structure needed time to achieve their purpose. His delegation had noted the moves to establish units which matched the priorities set by the General Conference at its fifth session, as well as the welcome progress achieved in the areas of institutional support and private sector development programmes, small and medium enterprises, and environment and energy. Staff recruitment and promotion was an essential element in the restructuring exercise. The Secretariat should continue to identify and recruit suitable candidates from non-represented or underrepresented countries, and particularly African and Arab candidates.

21. Turning to document IDB.13/12 and Add.1, he pointed out that since privatization was now playing a central role in the restructuring programmes for rehabilitating industrial enterprises, UNIDO's technical assistance in diagnosing economically and commercially viable industrial enterprises was needed more than ever. In Algeria the question of privatization was being studied and an appropriate law would shortly be passed.

22. Promoting industrial investment was an important part of UNIDO's activities, and his delegation strongly encouraged the Director-General to increase the volume of such activities by strengthening the administrative service in charge of industrial development and by improving the technical assistance necessary for opening investment promotion offices in countries that requested such assistance. His delegation would like to receive the draft standard agreement between UNIDO and host Governments on Investment Promotion Service offices as soon as it was available. The problem of the salary of the officials to be employed by the offices might be solved by bilateral arrangements.

23. In connection with agenda item 5 (Report of the Programme and Budget Committee), he had two points to make.

24. Firstly, in view of the financial situation, his delegation again appealed to those States that had not yet paid their contributions to do so. Document IDB.13/22 showed that under the 1994/95 regular budget there would be savings due to the high rate of vacancies in both the Professional and General Service categories, and also some additional economies. He wondered whether the high rate of vacancies might not have an adverse effect on programmes and projects. None the less, redeployment of staff to external services was a good idea. The operational budget, from which technical assistance expenditure was met, was experiencing difficulties because of a decrease in resources from UNDP and in voluntary contributions. His delegation would therefore encourage the Secretariat to do its best to stabilize the budget and to ensure that the expenditure on technical assistance did not decrease so far as to affect major programmes, particularly the programme for the Second Industrial Development Decade in Africa.

25. Secondly, the UNIDO Country Director Programme was experiencing grave financing problems and the number of directors would probably have to be reduced if further resources were not found. The Arab programme, in particular, was a poor relation. In its statement to the Board at its twelfth session his delegation had asked whether negotiations should not be started with UNDP to amend the agreement of April 1983 between UNIDO and UNDP in order to find a way out.

26. The Secretariat's proposal in document IDB.13/29 to finance the programme until the end of 1995 through regular budget resources that became available as a result of vacancies and economy measures was an acceptable temporary solution. Funding the programme from part of the Industrial Development Fund was also a provisional solution, since the Fund depended on contributors' goodwill. His delegation suggested that the Secretariat should seek a final solution similar to the one adopted by the International Labour Organisation namely that the programme should be almost fully covered by the UNIDO regular budget.

27. Mr. KOSTENKO (Observer for Ukraine), referring to document IDB.13/27 (UNIDO policy framework - organizational and staff structure), said that although the results achieved were on the whole positive, their impact on improving the Organization's effectiveness was not yet very significant and that it was therefore necessary to continue the process of reform.

28. He welcomed the efforts made by the Secretariat to improve the Organization's management and coordination mechanisms, but noted that the process was far from completed. In

particular, he drew attention to an apparent contradiction between the aim of raising the quality of programmes and the way the time-limits for their execution were constantly extended. Quality control was of the utmost importance at all stages of a project. The present mechanism was far from perfect and needed significant adjustment, particularly in order to cut down the time required for the execution of projects and thus allow the Organization to meet the needs of Member States more effectively.

29. With regard to the identification of priorities for UNIDO activities, the practice of studying the trend in the demand for the Organization's services, especially at the regional and subregional levels, should be continued. In that connection, he drew attention to the specific problems currently facing countries with transitional economies and consequent financial constraints. He welcomed the establishment of a task force within the Secretariat for action in such countries and hoped that it would be able, in close collaboration with representatives of the countries concerned, to formulate not just a general strategy but also specific priorities for UNIDO's assistance to countries in transition. On such assistance would depend to a large extent their ability to re-establish their industrial capacity and hence to aid those developing countries in their turn.

30. Recruitment for posts at all levels in the Secretariat should be based on equitable geographical representation. He therefore welcomed the efforts being made to give priority to candidates from non-represented and under-represented countries. Ukraine itself had not been represented in the Secretariat for nearly two years, and he therefore hoped that steps would soon be taken to remedy the situation.

31. In conclusion, he expressed his appreciation to delegations and to the Secretariat for their support for the efforts being made by his country in a period of far-reaching political change.

32. Mr. ARCILLA (Philippines) said that while his Government fully supported the revised structure and objectives of UNIDO as redefined at Yaoundé, it was also aware that if UNIDO was to continue to enjoy the support of its Members it would have to prove its viability and continuing relevance. While its relevance had been confirmed at Yaoundé, its viability would largely depend on the attitude of its Members, in particular the developed countries, and of the Secretariat.

33. There were those who said that the reform process was not going well. His delegation, however, agreed with the Director-General that the reformed UNIDO needed a little more time to prove itself, though it should not take too long to do so. There were certain practices that had nothing to do with the restructuring process which could easily have been rectified without any need for further time. For instance, it was constantly said that staff travelled too much and that officials were invariably on mission when delegations needed to get in touch with them. He had recently been informed that five Secretariat officials had travelled to China at the same time. He wondered whether they had gone to different regions, or whether they had stayed together, in which case perhaps only one or two of them might have sufficed. There was, moreover, a UCD in China whose services could have been used.

34. He stressed that the reform must not end with organizational and administrative changes, which were merely the starting points for UNIDO's efforts to fit itself for the achievement of its objectives. With that in mind, his delegation endorsed the view of the staff in document IDB.13/31 (para. 10) that effective and dynamic response to client country needs could only be assured through simpler procedures, improved efficiency and enhanced cost-effectiveness, which in turn derived from greater transparency, fuller accountability and closer teamwork. Simplicity was being pursued through such measures as the introduction of the service management process, a procedure which could be extended to other areas. Efficiency was being improved through technical re-training, skills upgrading and the introduction of a merit award system. Greater cost-effectiveness was evident in the savings achieved in various areas. However, the crux was whether or not after all such steps had been taken the Organization was more effective in meeting the requirements of the developing countries.

35. His delegation believed that greater transparency was of prime importance in the Organization's activities. There was a need for constant updates on the progress of projects, for information on the activities required to ensure their implementation and for constant consultation on opportunities for new projects and the means available for translating them into reality. The Organization lacked a system to keep member countries informed of developments and involved in activities concerning their countries. Unlike other specialized agencies, UNIDO had no identified liaison office dealing with activities involving any one country at any given time. For instance, while there was an officer responsible for the Philippines under the Asia and Pacific Programme of the Country Strategy and Programme Development Division, he was not privy to all the information on projects involving the Philippines, particularly those being dealt with by other divisions. Permanent Missions were not informed when consultants or Secretariat officials visited their countries, and they were not informed of the purposes or the results of such visits. The whole reason for the presence of the Permanent Missions in Vienna was to serve as UNIDO's conduit to member Governments, and he therefore urged the Secretariat, in addition to pursuing greater coordination with other organizations, to strengthen its linkages with member countries through their Permanent Missions.

36. With reference to the UCD programme, he said that the presence of such officers in the recipient countries was intended to make the delivery of UNIDO's services more effective and to promote cost-efficiency by minimizing unnecessary travel by Secretariat members.

37. The instrument through which the Organization achieved its objectives was its staff, who must meet the highest standards of efficiency, competence and integrity. However, it was equally important that there should be more equitable geographical representation in the Secretariat, particularly in middle- and senior-level posts. Recruitment and promotion activities should be aimed at attracting professionals from the developing countries, which were not short of

qualified individuals. He urged the Director-General to implement in full General Conference resolution GC.5/Res.18 and Board decision IDB.12/Dec.9 in that regard.

38. At Yaoundé the notion of global interdependence had been reaffirmed. The industrialization of the developing countries was essential for world-wide growth and equilibrium. It in turn required a favourable international economic environment, which had to be generated principally by the policies of the major Powers, because of their weight in the global economy. The objective was ultimately to utilize industry as a vehicle for generating optimal sustainable improvement of human well-being in the developing world. In his delegation's view, UNIDO offered a means of achieving that objective.

39. Mr. BADR MUQBEL (Observer for Yemen) expressed appreciation for the excellent work of the management of UNIDO since the last session of the Board and thanked the Secretariat for its activities in implementing the resolutions of the Fifth General Conference, including in particular organizational, administrative and financial reforms intended to take account of recent changes in the world.

40. His delegation endorsed the proposals made by the Group of 77 and the Arab Group, which were designed to increase the Organization's effectiveness in carrying out the aims of the Yaoundé Declaration, especially with regard to the least developed countries.

41. The problems of manpower development, the transfer of technology, the supply of industrial expertise and the establishment of a national industrial cadre in the least developed countries were among UNIDO's highest priorities. Industrial cooperation programmes supported and promoted by UNIDO and donor countries to meet the needs of the developing countries had to be given clear objectives and the necessary conditions for successful and cost-effective implementation if they were to yield the desired benefits.

42. His delegation supported UNIDO's practice of seeking equitable geographical distribution of staff as well as its efforts to transfer its expertise to the least developed countries. It was in favour of increasing the number and effectiveness of UNIDO country bureaux, which played an important part at both the national and the regional level. Due attention should be given to assessing the impact of UNIDO's industrial development programmes in the least developed countries.

43. Mr. ONSY (Egypt) said that it was still too early for a final assessment of the results of the reform process. Regarding organizational and priority issues, his delegation fully agreed with the attention accorded to programming activities, including the elaboration of country programming briefs containing data on the economic and industrial sectors of individual developing countries, the preparation of country strategy notes and the dispatch of programming missions to selected countries. It was to be hoped that such measures would lead to practical programmes and activities that were more effective in meeting the developing countries' requirements.

44. On the question of prioritization, his delegation shared the view that industrial development was to be regarded as the main means of achieving the economic and social development of the developing countries. The definition of UNIDO's priorities should take place within the framework of all the development objectives and priority themes set by the Yaoundé Conference, taking into account the developing countries' differing circumstances and the need to preserve UNIDO's capacity to respond to their varying requirements. Any disturbance of the current balance of priorities would run counter to the Yaoundé Declaration, cause resources to be squandered and hamper the reform process.

45. Regarding personnel policy, his delegation considered that a lack of adequate teamwork and coordination in decision-making among the various units of the Organization, together with their slowness in responding to Member States' needs, had a negative effect on UNIDO's performance. Remedial action was called for in order to ensure strict control and a clear definition of staff responsibilities. His delegation had also noticed a fall in the rate of filling vacancies and an imbalance in the filling of vacancies in certain sections where lack of sufficient personnel would have a significant impact on the performance of the Organization as a whole. Additional information should be provided on the vacancy rates for each section. Finally, he wished to reiterate his delegation's previous requests that the principle of equitable geographical distribution should be fully respected in new appointments, particularly to senior management posts.

46. Mr. PUTHO (Thailand) said that his delegation fully supported the Director-General's efforts in connection with the restructuring of UNIDO. On the question of decentralization, it wished to propose that three subregional offices should be established in the near future, albeit on a pilot basis. That proposal had its origins in the fourth session of the General Conference, when his delegation had pointed out that decentralization was a key to success in modern management and had called for support for the idea of setting up UNIDO regional offices. At present, the Organization lagged far behind most comparable specialized agencies in the United Nations system, and the application of decentralization measures by the Organization was therefore a matter of urgency.

47. Regarding personnel policy, his delegation had noted with interest the relevant observations contained in the progress report of the Director-General (IDB.13/27). It wished to emphasize that the representation of the developing countries in the Secretariat needed to be improved if the principle of equitable geographical distribution was to be upheld. It accordingly appreciated the continuing efforts to recruit candidates from unrepresented and under-represented countries. Further efforts were called for, however, without prejudice to the need to ensure the highest standards of efficiency, competence and integrity of the staff employed. Such standards could be met by candidates from developing countries.

48. His delegation was surprised to see a reference in paragraph 63 of the report to the need to prevent sexual harassment, which implied the existence of such practices in the Secretariat. Staff members at all levels of international organizations such as UNIDO must observe the

highest standards of ethical conduct, and the introduction of punitive measures was thus advisable.

49. On the question of structural changes within the United Nations system, it was reported that the Commission on Global Governance in its report entitled Our Global Neighbourhood, to be published in early 1995, would put forward proposals possibly including the abolition of the regional economic commissions, the United Nations Conference on Trade and Development and UNIDO. His delegation would approach any such proposals with an open mind, but pending the official release of the report, it would refrain from making any further comments.

50. Mr. YIGEBRU (Ethiopia) noted with satisfaction the efforts made in a number of areas towards the implementation of General Conference resolutions on UNIDO's policy framework and other related issues. In the area of management measures, the preparation of country programming briefs was an encouraging first step towards ensuring close linkage between the changing requirements, demand pattern and priorities of developing countries and the prioritization of UNIDO's services. The preparation of country strategy notes under the overall supervision of UNDP Resident Coordinators was also a useful element. His delegation attached particular importance to the programming missions to be launched to various developing countries and believed that special emphasis should be placed on the least developed countries, particularly in the African region.

51. On the issue of prioritization, his delegation viewed with interest the five development objectives and corresponding clusters of services and activities described in the progress report (para. 10 ff.). Although the establishment of objectives was a first and essential step in any endeavour, maximum efforts needed to be deployed in the actual realization of those objectives. The preparation of priority theme papers and the steps currently being taken to define clusters of interrelated priority programmes in Africa were commendable. His delegation had observed with keen interest the progress made in developing and implementing demand-oriented UNIDO services in various substantive programme areas (paras. 23-44) and hoped to see further progress in that connection as the prioritization process continued.

52. Regarding UNIDO field representation, his delegation had noted that the Steering Committee on Field Representation was conducting studies on relevant issues with a view to making recommendations, on the basis of which revised proposals would be submitted to the Programme and Budget Committee at its eleventh session.

53. Concerning personnel policy, his delegation believed that further efforts should be made to recruit candidates from developing countries, particularly to senior posts, and to achieve a better geographical balance within the Secretariat.

54. Mr. ARASTOU (Islamic Republic of Iran) welcomed the fact that the process of organizational reform was now complete and that UNIDO was in a position where it could intensify its efforts towards the realization of its new development objectives and the priorities stemming from them. In the attainment of those objectives, UNIDO needed the practical support of Member States, particularly in the provision of financial resources.

55. On the question of prioritization, it was clear that priorities differed among the various groups of countries receiving technical assistance from UNIDO. However, there was a persistent need among all developing countries for the Organization's services in such areas as industrial pollution, private-sector investment and privatization, irrespective of their levels of development.

56. Regarding personnel policy, his delegation supported the efforts being made towards achieving equitable geographical distribution of staff at all levels of the Secretariat and hoped that particular attention would be paid to recruiting nationals of developing countries. Training and retraining of staff were important in increasing the expertise of the Secretariat. In the recruitment of new staff members, integrity, experience and ability should be taken into account in addition to geographical representation.

57. UNIDO should increase its involvement in the activities of the United Nations. Industrial development was generally recognized today as a means of contributing to the economic and social development of the developing countries. UNIDO thus needed to coordinate its activities with other development agencies in the United Nations system and take advantage of their resources and facilities in order to enhance its own programmes. UNIDO's participation in major international conferences was of paramount importance and would provide an opportunity to familiarize other participants with the Organization's new objectives and priorities and to enlist their support.

58. Mr. S.-Y. LEE (Republic of Korea) expressed his delegation's support for the measures taken by the Director-General since the Yaoundé Conference to streamline organizational structures, improve management and ensure economy and efficiency, placing UNIDO in a position to fulfil its new responsibilities. It was still too early to assess the impact of the restructuring process but UNIDO was moving in the right direction. The new framework was being established, but UNIDO also required new activities based on the policy lines endorsed by the Yaoundé Conference.

59. Referring to the Director-General's report on the policy framework of UNIDO, his delegation fully agreed with the importance attached to improving programming activities so as to ensure close links between the developing countries' real needs and UNIDO's capacity to meet them. It looked forward to periodical progress reports on that subject. Overemphasis on individual country programmes could lead to UNIDO's activities being too thinly spread and would prevent it from advancing on all fronts, as it needed to more than ever in view of its limited financial resources. Special attention should be given to Africa and to the least developed countries. The Director-General should pay equal attention to different regions and sectors in UNIDO's programming. Industrial policy could vary considerably depending on the level of industrialization in the region, and one of UNIDO's main advantages lay in its strong sectoral orientation.

60. His delegation welcomed the Director-General's report on the progress made in the internal screening process and quality control and urged him to continue his efforts to implement the measures set out in document IDB.12/8. It noted that UNIDO had made progress in priority areas such as private sector development, small and medium enterprises and environment and energy and had been encouraged to see that the Organization was playing a greater part at the policy level and with regard to operational initiatives in the framework of the Commission on Sustainable Development.

61. While understanding the disquiet felt by some Member States regarding the pace of progress in prioritization, he felt that the exercise should not be hurried and looked forward to receiving priority theme papers, and especially criteria for the selection and rejection of projects, as soon as possible. UNIDO should further strengthen its capacity to provide vital information and objective forecasts for the industrial and technological development of developing countries. Such publications, if distributed to UNIDO's partners, particularly industrialists, would enhance its image and help to attract new financial resources.

62. His delegation believed that UNIDO's representation in the field should be strengthened at the country and subregional levels and his Government was ready to make concrete contributions to assist in setting up such field representation in its region. It looked forward to discussing that matter at the next session of the Programme and Budget Committee.

63. His delegation wished to encourage UNIDO to increase its participation in United Nations system-wide forums and debates so as to attract the attention of the international community to the urgent need for cooperation in the field of industrialization. The Secretary-General of the United Nations had prepared an agenda for development which recognized the importance of economic growth as the driving force of development as a whole, but did not give enough prominence to the role of industrialization in promoting economic growth. Every effort should be made to rectify that situation before the agenda for development was adopted at the current session of the General Assembly, since it would have considerable impact on the future development activities of the entire United Nations system. Similarly, UNIDO should continue to take part in the preparations for the World Summit for Social Development so as to make sure that the indispensable role of industrial development in dealing with social problems might be properly reflected in the discussions and documents of that meeting.

64. His delegation appreciated the efforts made by the Director-General to achieve suitable placement of staff in the new organizational structure. There should be a stronger system of incentives and disincentives so as to improve staff motivation, competition and accountability. The highest standards of efficiency, competence and integrity should be maintained in recruiting staff, but the principle of wide and equitable geographical representation should also be observed. Consideration should continue to be given to candidates from countries unrepresented or underrepresented in the Secretariat.

65. His delegation shared the view that the Director-General should be given more flexibility in implementing the current reform. It also considered that the time had come to give serious consideration to the possibility of raising the limit of 6 per cent of the regular budget for technical cooperation. It had always been in favour of increasing dialogue and interaction among the recipient countries, the donor countries and the Secretariat. It had therefore been glad to hear that the Director-General intended to arrange for periodical meetings to be held with interested Member States to review the progress of project development and specific priority programmes with the Secretariat staff involved.

66. In conclusion, he reiterated his Government's firm commitment to the renewed objectives and priorities of UNIDO as a restructured organization and its continued full support for the activities of the Organization under the leadership of the new Director-General.

67. MR. GUPTA (India) welcomed the Director-General's statement that the Organization was now ready to undertake its new priorities and responsibilities. His delegation considered that UNIDO had made reasonable progress towards reaching the objectives set for it one year previously at Yaoundé. Priorities had been chalked out, activities were being brought into better focus and mechanisms intended to improve the quality and delivery of services had been established. It was, however, also the duty of the recipient countries to ensure more efficient utilization of project funds and fuller integration of downstream services. UNIDO still had a long way to go. His country wished to reiterate its full support for the Director-General and to express the hope that donor countries would now fulfil the commitments they had undertaken in the Yaoundé Declaration.

68. His delegation agreed with the general thrust of part I of document IDB.13/27. With regard to setting priorities, however, the ultimate authority must remain with the General Conference; the Board should simply interpret and adjust priorities within the mandate given by the Conference. The time had come for it to focus more on action than on planning for action.

69. Regarding management measures, he welcomed the efforts made to promote team building and to provide incentives for staff members with a view to stimulating their productivity. Country strategies and briefs should take into account the latest developments in the country concerned, and there should be close consultations with that country to make sure that briefs were realistic and in line with priorities and needs. In view of the limits of UNIDO's field representation, it would be unwise to rely mainly on field offices for that purpose. During country programming missions, it would be worth while to organize at least one meeting in the country concerned with the participation of all multilateral and bilateral donors and business and industry associations, in order to improve coordination and make UNIDO better known at the country level.

70. With regard to the setting of priorities, his delegation believed that efforts should be concentrated on achieving the five major development objectives in each country. It did not, however, agree with the idea of focusing on activities in

certain countries rather than other ones. While several developing countries had indeed made progress in industrial development, that progress had been uneven and fell far short of the objectives set out in the Lima Declaration. Industrial problems in the context of the environment, energy and restructuring, sustainability and the attainment of social development objectives also needed urgent attention. UNIDO must be able to meet the demands of the developing countries and offer a sufficiently broad range of services and activities. He had been glad to note that the Organization intended to take due account of the priorities of recipient countries.

71. His delegation looked forward to receiving further proposals concerning field representation at the next session of the Programme and Budget Committee. In addition to the activities mentioned in paragraph 45 of document IDB.13/27, it might be useful to consult Governments before placing proposals before the PBC.

72. UNIDO should participate more actively in major United Nations meetings in New York and Geneva and take steps to ensure that its activities were adequately taken into account. An intense debate was being held on the future shape of the United Nations system in the new structure for North-South-East cooperation, and particular attention should be given to UNIDO's role in the emerging framework.

73. Regarding personnel policy, his delegation supported the efforts made to improve performance appraisal and accountability, and also the staff training activities undertaken, which should include subjects such as ECDC/TCDC and methods of dealing more effectively with situations in developing countries in relation to technical cooperation activities. Regarding recruitment, it urged the Director-General to make all possible efforts to recruit qualified personnel from the developing countries, and it considered that the composition of bodies such as the Appointments and Promotions Board should be better balanced. His delegation wished to welcome the newly-appointed Managing Directors and looked forward to working closely with them in the future. It wished, however, also to remind the Board of the statement made by the Group of 77 at the previous session that at least four posts at that level should be filled by candidates from the developing countries, as had been the situation at the time of the General Conference in Yaoundé. It was important that the balance should be restored at the earliest possible opportunity.

74. In conclusion, he wished to remind Members of the consensus expressed in the Yaoundé Declaration that a reformed UNIDO should increase the impact of its activities, ensure greater economy and efficiency, improve the quality of its programmes and performance and respond more effectively to the specific demands of Member States. UNIDO and its Member States should work together to achieve those objectives as soon as reasonably possible. India welcomed the Director-General's commitment to increase transparency through periodical informal briefings and subsequent follow-up.

75. Mr. SSENDAULA (Uganda) said that during the current period of unprecedented change the trends in the global economy towards policy deregulation, private sector development, trade liberalization and new trading arrangements constituted serious challenges, mainly for the developing countries and for African countries in particular. In that context, the situation in most African countries remained a matter of deep concern. The challenges involved in achieving economic and industrial growth had become increasingly complex. He welcomed the fact that implementation of the new UNIDO policy and staff structure had taken into consideration the new driving forces and policy changes in the global economy. He urged UNIDO to continue to give high priority to the development objectives approved within the new policy framework by the Fifth General Conference. He would, however, be grateful for details of how the principle of equitable geographical distribution had been taken into consideration in the new staff structure.

76. Mrs. ROZGONOVA (Slovakia) believed that a great deal had been achieved in the restructuring of the Organization and its staff. All units of the Organization were now aware of their priority assignments, their responsibilities and the units they were expected to work with, and the document "Terms of reference for organizational units of UNIDO" provided a good guide. The two remaining posts of Managing Director had been filled, and UNIDO's management was now ready for action in managing the divisions and defining a strategy for UNIDO closely linked with the mobilization of both traditional and new financial resources for activities under the selected five priorities, with emphasis on areas in which UNIDO had a specific advantage.

77. Referring to the Yaoundé Declaration, her Government had certain reservations concerning UNIDO's approach to the countries in transition. It considered that the units dealing with those countries, such as the Europe Programme and the Industrial Information Section, were seriously understaffed, if one considered the number of countries in Central and Eastern Europe and the former Soviet Union. Field representation in those countries was still no more than symbolic. Her Government believed that UNIDO would not be able to develop cooperation with those countries and prepare an adequate task force to meet their needs and requests if the relevant units in the Secretariat were not strengthened. It welcomed the fact, however, that the Director-General and the Secretariat had recently entered into a dialogue with those countries and hoped that it would lead to broader cooperation beneficial to all.

78. The countries in transition were endeavouring to work out the most effective form of cooperation with UNIDO and submitting their needs and requests for services either through joint committees or on a project-by-project basis. UNIDO's assistance in identifying and solving problems common to all those countries would make the process more efficient and thorough. Her country believed that the relationship between UNIDO and the countries in transition should be open-ended and hoped that UNIDO would act as an innovative coordinator of common activities for those countries on the one hand and for a new type of three-way cooperation between the developing countries, the countries in transition and UNIDO on the other.

79. Mr. WEJTKO (Poland) noted that document IDB.13/27 described the reform as a continuous process made up of elements with different

time-frames, which made an assessment of the progress achieved difficult, especially since some new initiatives would extend far into the future - for example, the efforts described in paragraph 4 to direct the Organization's efforts towards a budget process based on programmes and cost centres. His delegation had been encouraged to note from paragraph 20 that UNIDO had adopted various measures to avoid spreading work too thinly and that the actual range of disciplines and types of services was now limited and better focused than before. It would, however, welcome confirmation of that general statement by concrete examples of progress made and shared the disappointment expressed in that respect by the representative of Germany, speaking on behalf of the European Union and Austria.

80. He agreed with the representative of Switzerland that donors would be reluctant to provide the funds required until UNIDO found its true place in the United Nations system and that without the necessary funds UNIDO could not play the part it should in the industrialization of the developing countries.

81. He also shared the view that UNIDO's priorities should be better evaluated. Poland covered the costs of its Investment Promotion Service in Warsaw. It would give low priority to advice to the Government on macroeconomic issues, but direct assistance to enterprises, even without the Government's involvement, would be high on its agenda.

82. He was glad to note that the Director-General was continuing to pay close attention to the equitable geographical distribution of posts and that his earlier declaration in that connection would soon be implemented.

The meeting rose at 5.45 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 8 November 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)
later: Mr. WEJTKO (Poland)

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The meeting was called to order at 10.30 a.m.

UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.13/27 and Corr.1, IDB.13/31; IDB.13/CRP.1)

1. Mr. MALDONADO (Ecuador) said that, ignoring freedom and competition as the basis for development, Latin America had strayed from the road to progress and well-being in past decades. Ecuador, too, had gone down the wrong path and not exploited its enormous potential in human and natural resources. But the hard lessons of history opened doors for the future, and the current Ecuadorian Government was adopting a forward-looking approach. Major structural reforms were the fundamental objective for the next few years. Ecuador was moving towards modernization, out of a firm conviction that it was the best way to enhance the country's well-being.

2. Against that background, the activities of international organizations like UNIDO must be evaluated. The new international realities, particularly in Eastern Europe, deserved the international community's attention, but UNIDO must not be diverted from its primary objective of promoting industrial development in the developing countries. The Director-General and his staff must adopt a strategy aimed at directing the necessary technical and financial resources towards achieving the Organization's objectives.

3. One of the major impediments to the growth of industry and its successful participation in domestic and export markets was the competitive disadvantage due to inadequate technological development. The opening of markets throughout the world meant that the industrial sector of countries like his own must rapidly attain

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appropriate technological levels and develop entrepreneurial structures, but such countries lacked the necessary equipment as well as middle- and high-level staff trained in the use of advanced technology in production processes. There was no consensus regarding the future prospects for the transfer of technology to developing countries, but there were signs pointing towards growing technological protectionism. That was especially true in respect of the high technology needed by developing countries. Organizations like UNIDO should serve as a channel for the transfer of relevant technology.

4. It was also essential to expand the national production base, promote industrial diversification and investment, have access to information networks and improve productivity and the quality of industrial and agro-industrial products. The assistance of UNIDO was very important in those areas; it should take the form of innovative projects designed, in line with national priorities, in close cooperation with the Ecuadorian counterpart. Projects under way should be co-ordinated better. Rapid establishment of a field representation in Ecuador and the streamlining of procedures could help in that respect.

5. Technical assistance from UNIDO to Latin America should be increased and adapted to the industrial and technological policies of the individual countries, subregions and the region as a whole. Needs should be met in such areas as industrial modernization, rehabilitation and transformation and development of small- and medium-scale industry. In view of UNIDO's scarce financial resources, South-South cooperation and solidarity were increasingly important.

6. Advanced industry could not exist without human resources trained to manage it. UNIDO must promote improvements in that field by offering more training courses and seminars. Its current efforts were not up to expectations.

7. Finally, recruitment should be improved and equitable geographical distribution ensured. The very short notice given for submission of candidacies often prevented candidates from geographically remote countries from gaining employment with UNIDO.

8. While Ecuador thanked donors for their valuable assistance, it urged them to increase such assistance.

9. Mr. RITCH (United States of America) said that, at the General Conference session at Yaoundé, Member States had given the Director-General an unprecedented mandate to reform UNIDO into an organization that was relevant, efficient and competitive. The marketplace for industrial development services was highly competitive. In order to find a place in it, UNIDO must focus on quality delivery of expert services in priority areas, exploiting its comparative advantages while meeting client demand and the criteria of environmental and economic sustainability. Few of the necessary steps would be popular, but the Director-General could be assured of the full support of the United States in taking them. Good progress had been made in stabilizing the regular budget and, in that endeavour as well, his Government would do its share. It would pay the bulk of its 1994 assessment - approximately $30 million - before the end of the week.

10. The United States supported the increased emphasis to be given to Africa, small- and medium-scale enterprises and agro-industries. The medium-term plan showed valuable improvement and increased relevance. The planned personnel reforms and extensive training programmes for staff also deserved praise. A motivated and qualified staff working together as a team could bring the Organization to new levels of efficiency and quality.

11. But difficult months lay ahead. UNIDO must stabilize the operational budget so that it could sustain its supply of quality services in priority areas. Some priorities had been established, but the pressure to increase efficiency and better allocate resources still existed. Additional cost-cutting measures might be necessary, combined with increased prioritization.

12. Concerning prioritization, the logical converse of assigning higher priority to some areas was the downgrading or elimination of others. Yet nowhere in the documentation submitted to Member States was there any indication that activities had been deselected. Trimming was an integral part of reform. UNIDO could not continue to provide all services to all countries while offering upgraded services in priority areas, all within its existing resource base. Activities must be cut if the Organization was to gain momentum in priority areas and stabilize its financial situation.

13. Additional resources should not be made available until UNIDO had shown that it had used the resources it already had efficiently and effectively. It had made a good start and must now tackle some of the most challenging problems of all. Support from Member States would be instrumental, but it was up to the Director-General to take the necessary steps.

14. Quality projects were UNIDO's lifeblood, and sound reform must be followed by sound evaluation. His Government would be looking for examples of the new UNIDO in the field as well as on paper. The United States would wish to engage in a continuing discussion with the Secretariat and members of the Board on how field evaluation could best be accomplished.

15. Mr. HOBEICA (Lebanon), referring to document IDB.13/27, said that the organizational and staff structure of UNIDO was a guarantor of effectiveness in the Organization's work. UNIDO was faced with a number of problems which were concentrated in two interrelated areas: effective administration and financial efficiency. There were serious deficiencies in the approach to important aspects of UNIDO's activities and the result was a vicious circle. The necessary financial resources would not be forthcoming as long as the management of such resources was seen to be ineffective. In addition to work on the organizational and staff structure, efforts must be made to bring in new sources of financing.

16. The Director-General and his staff had made every effort to modify UNIDO's organizational and staff structure, but more work was required, and as soon as possible. Vacant posts must be filled, especially in the industrial development sector. In the area of technical cooperation alone, about 25 per cent of the expert posts were vacant. That gap should be filled immediately.

17. The reduction in financial assistance and contributions to UNIDO was a source of great concern. It was disturbing to see that allocations to various programmes had been diminished. Only six per cent of the regular budget was earmarked for technical cooperation in the industrial sector. Yet industrialization was essential for the developing countries and brought with it improvements in the economic, social and health sectors. UNDP must resume the important role it used to play in UNIDO's financing. The industrialized countries must realize that industrial development affected them as well as the developing countries. It could halt immigration from developing countries to industrialized countries, while the promotion of small- and medium-scale enterprises and the industrialization of rural areas could launch a revival of heavy industry in the industrialized countries. Promotion of industrial development would contribute significantly to North-South cooperation, potentially leading to solutions to many world problems. To guarantee that UNIDO had the necessary capabilities for such activities, its reorganization was essential. The process had already begun and he congratulated the Director-General on the results achieved so far. In order to ensure the success of UNIDO's activities, however, the mobilization of the necessary financial resources, especially from UNDP, was essential.

18. Mr. BAJOWA (Nigeria) said the achievements outlined in the documents for the current session reflected the quality of UNIDO's leadership since its transformation in line with the decision adopted by the General Conference at Yaoundé. His Government was particularly encouraged by the proposals concerning human resource development, transfer of technology, assistance to small- and medium-scale industry and industrial rehabilitation and modernization. The intensification of UNIDO's activities in those areas was of major importance. UNIDO's assistance in strengthening Nigeria's technological and industrial base had already proved invaluable, as had its help in improving Nigerian institutions for technology acquisition and metallurgical development. Research institutes in his country had likewise benefited from collaboration with UNIDO. His Government hoped that such cooperation would continue, particularly in the areas of development of indigenous technology, rehabilitation and modernization of national industries and sustained support for small- and medium-scale industry in developing countries.

19. UNIDO's role in stimulating interest, through the industrial promotion forum, in the industrial potential of developing countries should be expanded: collaboration with African countries in holding a region-wide investment forum should be seriously considered. Not only would that fall in line with current efforts to promote industrial development in the subregion through the Economic Community of West African States (ECOWAS), but it would also be consistent with the objectives of the African Economic Community.

20. Despite the African region's best efforts, industrial development, particularly in the sub-Saharan area, continued to be hampered by a high level of indebtedness. His country supported UNIDO's approach to the debt problem. It renewed its call for a genuine partnership between debtor and creditor countries to reduce or write off debts and thereby enable the region to resume its progress towards industrial growth.

21. Nigeria greatly appreciated UNIDO's fostering of industrial development cooperation through the System of Consultations. The recommendations from consultations held in 1993 were most pertinent. The concerns of private entrepreneurs and small- and medium-scale industrial manufacturers should be better taken into account in future consultations to enable them to benefit from UNIDO's valuable advisory and technical services.

22. Nigeria commended the Director-General for his efforts to implement resolutions GC.5/Res.18 and GC.5/Res.20 and decision IDB.12/Dec.9. It shared the concern of other States about the consequences for UNIDO's medium- and long-term viability of failure by Member States to pay their contributions in full. It urged the Director-General not to slacken his efforts to mobilize additional funds for the implementation of UNIDO programmes while continuing to make effective use of the resources in the 1994-1995 biennium through reallocations to priority programmes and activities.

23. The Medium-Term Plan contained improvements which his delegation welcomed. The four years now envisaged were sufficient to undertake a critical review and to suggest improvements if necessary.

24. UNIDO's renewed commitment to Africa's industrialization efforts, particularly through its involvement in the First Industrial Development Decade for Africa (IDDA) and the preparation of national and subregional programmes for the Second IDDA, justified continuing interest in the Organization. Yet those efforts would bear fruit only with sustained support from and collaboration by Africa's development partners. An understanding of Africa's special needs should be accompanied, not by a reduction in UNIDO's commitment, but by active support, particularly in the areas of human resource development, acquisition of appropriate technology and increased funding for development. UNIDO remained the most important tool within the United Nations system to address the industrial problems of Africa; Nigeria urged support for an expanded IDDA programme integrated within the African area programme.

25. An active role for the Organization entailed the strengthening of field representation on the African continent. The UNIDO Country Director programme in Africa was therefore highly important: measures had already been taken to facilitate the work of the next UCD in Nigeria. His delegation commended the Director-General's efforts to reorient the programme and urged Member States to support them.

26. The programmes initiated over the past year had strengthened his Government's confidence in UNIDO's reinforced role as a catalyst for the industrial development of African countries. Nigeria supported the Yaoundé Declaration and believed that the time had come to consolidate recent gains.

27. Mr. DE MARIA Y CAMPOS (Director-General), replying to the debate, said that in the year that had gone by since the Yaoundé Conference session the Secretariat had been working with passionate intensity to introduce the reforms called for by Member States. During such a period, when so many changes were occurring, it was not easy to describe precisely what had been achieved and what still remained to be done; in his introductory statement he had tried to concentrate on some of

the areas he believed to be of special importance to Member States, which meant, of course, that other areas had not been touched upon. He hoped that in informal and formal meetings, and in particular during the present session, a clearer and fuller picture would emerge.

28. All speakers had recognized the efforts that had been made, even if some considered that change had not been fast enough, or had not always been in the right direction. For the Secretariat, the reform process, it must be realized, involved a major cultural and institutional transformation which inevitably took time before it showed results. Much progress had been made, he felt, on many different fronts, particularly in the matter of focusing and setting priorities for the work of UNIDO. It was a task that the Secretariat was carrying out not merely because it had been instructed to do so, but because it was necessary in order to produce work of high quality and build UNIDO into an organization of excellence. Furthermore, lack of funds made concentration essential if the multiple needs of the developing countries were to be met. In that connection, he wished to point out that, when resources were not available, it was impossible to take on even priority actions. The challenge facing the Secretariat under present straitened circumstances was how to do the best it could with the little it had.

29. A case in point was that of the priority issue of least developed countries. For the 53 countries in that category, very limited resources were available, leading to too small projects. Increased concentration combined with increased resources, especially for Africa and LDCs, was required.

30. Turning to specific issues, he recalled his presentation of the Secretariat's activities in regard to the focusing of UNIDO's programmes. It had not yet proved possible to produce documents showing exactly what prioritization meant in every region, sector or topic, but for the last few months a great deal of work had been put in and the results would be presented as soon as possible. It should be noted, however, that it was extremely difficult to present proposals that would be satisfactory to all countries, particularly when no specific suggestions had been made. Countries called for prioritization, but failed to indicate what activities should be dropped. The Member States, as he had already pointed out, were the stockholders, and he would follow their advice. It was up to them to lay down the criteria. Meanwhile, the Secretariat had been working hard to identify what it believed to be the main priority areas where it should concentrate in the light of its comparative advantages, financial resources, technical capabilities and so on. He sincerely hoped it would soon prove possible to conclude the process; he intended to present a synthesis of the Secretariat's efforts prior to the next meeting of the Programme and Budget Committee.

31. One of the major advances that had been made was that UNIDO was now concentrating on its mandate. In the past, as a result of trust funds, the Organization had on occasion been undertaking projects that were not altogether within its mandate and did not go through the normal screening process. All projects now had to pass through the Programme and Project Review Committee (PPRC). To give a precise example, he referred to a project established before he had assumed office concerning a preliminary study for a gas trunk-line for the twenty-first century, covering a number of countries. It had recently been examined with a view to proceeding to a second phase, involving costs of $6 million. He had decided that, although of great interest, it was not a suitable project for UNIDO, which had neither the financial resources nor the technical capabilities to backstop it. So the project had been cancelled. Unfortunately, owing to internal communication problems, it had subsequently featured in the latest UNIDO Update as a project to be pursued in the future. He had a list of other projects that did not fall within UNIDO's mandate, its new priorities or its technical capabilities and he intended to deal with them very strictly.

32. Referring to document GC.5/23, dated 24 September 1993, he drew attention to the subsector specialization criteria listed in paragraph 58. Together with a country's capacity to absorb technology, those were the criteria for the selection of projects that the Secretariat had been following, although it was difficult to turn down a project when the Organization had the technical capability and resources, and a demand for it existed. In the next few months, following informal discussions, he intended to present another document containing a final set of criteria.

33. In addition to the factors he had just mentioned, the four main reasons why projects had been rejected at PPRC level were: failure to conform with UNIDO's mandate, policies and priorities; established quality standards of relevance, cost-effectiveness and sustainability; financial and other rules and regulations; or criteria governing the programmatic use of freely programmable funds. He felt sure that through informal meetings and discussions any doubts that might still persist could be eliminated: UNIDO, he emphasized, was an open house. In any event, the most satisfactory solution would be to have more funds available to use for high-priority activities.

34. With regard to geographical representation - a subject of great importance to Member States - he was aware that the situation he had inherited was not satisfactory, whether viewed from the standpoint of regions or individual countries. Of managerial and Professional posts, the developing countries occupied 32 per cent, the countries of WEOG (Western European and other countries group) 57 per cent, Group D 8.5 per cent and others, including nationals of non-member countries, 2.5 per cent. Clearly a considerable effort was called for in order to achieve a more balanced distribution. In the preceding nine months, some progress had been made: 55 per cent of new recruits had been from the developing countries, 38 per cent from developed countries, and the remainder from Group D. However, it was clear that, in making appointments, competence was of the highest importance. Efforts to target posts had proved difficult. Letters had been sent to missions and UNIDO Country Directors in non- or underrepresented countries, while virtually all positions had been advertised externally. However, in many cases the candidates presented had not come up to requirements. An effort was being made to improve the recruitment processes, to make them more pro-active and to strengthen communication with Member States. Progress would necessarily take time and he therefore appealed for understanding. The reason why recruitment had not proceeded more rapidly was because for the

first six months of the year attention had been focused on establishing terms of reference for each area and clarifying priority programmes; only then had recruitment begun. It should also be noted that, owing to dwindling operational income, it had proved necessary to move staff from the operational to the regular budget.

35. The matter of field representation was of great concern to both Member States and himself. He personally was convinced of the need for UNIDO to get closer to the field, including both Governments and the private sector. An urgent short-term issue arose, as well as a medium- to long-term problem. The former related to the fact that of 43 UCD posts, only 36 were filled, basically due to lack of funds. In 1995, seven of the existing offices would have to be closed, unless more support was forthcoming. At the latest session of the Programme and Budget Committee he had unsuccessfully proposed using $1.9 million of savings to cope with the situation; vacancies and unfilled posts under the regular budget were at present being used to guarantee the existing UCD offices until the end of 1995. The long-term issue concerned field representation over the next few years. As requested, a study was being carried out to identify the most appropriate level of such representation in the light of the Organization's programmes and priorities, the needs of Member States and the work of other agencies. The study would be completed early in 1995. In that context, he had recently been examining the practices of other organizations and considered the ILO and UNESCO approach of having subregional offices to be of great interest.

36. In principle, he viewed the proposed raising of the six per cent ceiling of the regular budget for technical cooperation as positive, since it could provide more seed money for projects in priority areas. Owing to efforts to keep on all existing staff despite falling income, UNIDO had been left with very little flexibility. Hardly any funds were available for items such as travel or consultants to identify and promote projects. However, given the requirement for zero growth, any raising of the six per cent ceiling could only be at the expense of other activities. As he had already pointed out, he had some ideas for further savings, but they would need the support of Member States, not forgetting the cumbersome legal processes involved in amending the Constitution. A better approach, once again, would be for Member States to increase their contributions to the general convertible segment of the Industrial Development Fund.

37. With regard to public information, mention had been made of recent unfavourable or incomplete press reports on UNIDO. While the prime requirement of any organization was of course to do high-quality work, he recognized the impact of the media in the modern world and attached importance to action in that area. UNIDO had the lowest budget allocation for public information in the United Nations system and the matter would certainly have to be addressed in the next regular budget. A new chief of public information had brought many good ideas and a start had already been made on an aggressive strategy. An article in the Financial Times with obsolete information on UNIDO had prompted an explanatory meeting in London with the publishers and the journalist in question, and a much improved relationship had been the outcome. Other prominent publications had recently made relevant comments, and even Greenpeace had been saying that UNIDO was the most effective agency involved in the execution of Montreal Protocol projects. Member States could no doubt also assist in spreading knowledge of the Organization's reforms and activities in general, which were not well known in the public and private sectors.

38. On the question of travel, he noted that travel accounted for only one per cent of total regular budget expenditure. Every effort had nevertheless been made to ensure optimum use of resources, and savings had indeed been achieved in the first few months of 1994 with cheaper travel and the avoidance of some journeys through the use of electronic mail, telefax and other means. There was, however, an absolute need for some travel since UNIDO was not a very decentralized organization. He was increasingly decentralizing travel authorizations to managing directors so that they made the final decisions, while the necessary coordination was sought. A five-person delegation had indeed travelled to China, at the invitation of UNDP, to review the whole Agenda 21 programme for the country, but at a special group rate. At many meetings UNIDO had one of the smallest groups and sometimes could not afford to be adequately represented.

39. Regarding sexual harassment and paragraph 63 of document IDB.13/27, he was not aware of any formal allegation of sexual harassment in UNIDO in the past several years. The inclusion of sexual harassment as a topic in management development training courses was standard United Nations practice in order to sensitize staff to gender issues. All UNIDO staff were, of course, expected to maintain the highest standards in dealings with one another in keeping with their international civil service status. He and his colleagues would certainly do their best to make UNIDO the institution of excellence they wanted it to be in industrial matters.

40. Mr. DE YTURRIAGA BARBERAN (Spain) thanked the Director-General for his explanations and suggested that he might consider using his mother tongue at Board meetings.

41. He welcomed the progress made since the Yaoundé session of the General Conference and pledged his country's continued support for the reform process. However, his delegation considered the specification of priorities to be the weakest point in UNIDO's activities. There was a need to plan future action, with the backing of proper resources. Funding was of course crucially important. Restructuring would depend on the priorities set, and real cuts would be needed to restore the Organization's financial health. Since staff were well placed to know where effort should be focused, the proposals should come from the Secretariat itself.

42. Spain, he noted in conclusion, was a major contributor to UNIDO and, with only three Professional staff, was grossly under-represented.

43. Mr. DE MARIA Y CAMPOS (Director-General) said that he recognized the importance of using Spanish and would do so whenever possible and convenient in the future. In the present instance, the necessary documentation had not been available in Spanish for the preparation of his answers. Nevertheless, he pointed out that it was a normal practice also for other high international civil servants to speak in English.

44. With regard to priorities, they were in fact the priorities brought to his attention by Member States. He confirmed once more that he would produce a document plainly indicating which areas would be focused on, which would become subsidiary for the time being, and which activities would be non-priority.

45. On the subject of Spain's admittedly low representation in UNIDO, he observed that only a limited number of posts had recently been filled, but that a Spanish national had been appointed to head the Environment and Energy Branch at D-1 level. He looked forward to seeing more good Spanish candidates for incorporation in UNIDO.

PROGRESS REPORT FOR 1994 ON SPECIFIC UNIDO ACTIVITIES, IN PARTICULAR:

(a) HUMAN RESOURCE DEVELOPMENT

(b) DEVELOPMENT AND TRANSFER OF TECHNOLOGY

(c) INDUSTRIAL REHABILITATION AND MODERNIZATION

(d) SMALL- AND MEDIUM-SCALE INDUSTRIES

(e) ENVIRONMENT, ENERGY AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

(f) INDUSTRIAL INVESTMENT PROMOTION

(g) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (IDB.13/12 and Add.1)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (IDB.13/13)

INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS (INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (IDB.13/15, IDB.13/16, IDB.13/30; IDB.13/CRP.3)

46. The PRESIDENT said that, before opening the debate, he would give the floor to the Managing Directors responsible for the activities under the various items and sub-items for brief introductions.

47. Mr. PISKOUNOV (Managing Director, Human Resource, Enterprise and Private Sector Development Division), referring to agenda item 4 (a), said that the globalization and liberalization of international markets compelled developing countries to make their industries more competitive, in which context the development of human resources was obviously a strategic factor. There was nevertheless a very wide gap between the requirements for developing adequate human resources and the existing education and management structures and policy environment. Important as its role in industry was, UNIDO had to cooperate extensively with other institutions to make any impact.

48. An important feature of the human resource development programme was therefore coordination and close cooperation with Governments, private sector associations of industrialists/entrepreneurs, such as Chambers of Commerce and Industry, and other organizations such as UNESCO, ILO and FAO. A cooperation agreement had recently been concluded with the ILO Training Centre at Turin, and negotiations on cooperation with Italy, Japan and other countries were proceeding. Human resource development (HRD) was one of the five development objectives of the restructured UNIDO, and a cross-organizational HRD strategy for capacity-building was at present being developed to assist developing countries in coping with growing economic and social challenges and bridging the type of gap to which he had just referred.

49. UNIDO had very evident and distinctive comparative advantages for developing and implementing an HRD strategy on account of its accumulated in-house multidisciplinary technical and managerial competence and continuous access to information on world-wide industrial trends and restructuring patterns.

50. With regard to agenda item 4 (c) on industrial rehabilitation and modernization, restructuring at the enterprise level was an important factor in making industry more competitive. Industrial rehabilitation and modernization were of particular interest in the privatization process and generally in countries whose economies were in transition. Significant productivity gains and cost reduction could be achieved without major capital investment through the use of modern management methods. The demand for such services had been steadily growing and UNIDO had cooperated with many Governments in diagnostic analyses of enterprises, restructuring strategies and the formulation and implementation of business plans.

51. With regard to agenda item 4 (d), on small- and medium-scale industries, the programme lay at the core of UNIDO's mandate and tied in closely with the other programmes of the Organization. It focused on upgrading the performance and capabilities of small and medium enterprises (SMEs), which played an increasingly important part in industrial growth and social development. The main goal was to improve their contribution to industrial productivity and competitiveness and to equitable and sustainable development in both urban and rural areas. UNIDO's strategy was: to continuously observe and analyse the contribution and new role of the SME sector and to assess emerging new tendencies; to provide information, advisory and training services to developing countries in support of the SME sector; and to implement the programme in cooperation with a network of national and international institutions specialized in SME development.

52. The SME programme was developed in cooperation with an SME advisory group including UNIDO staff and experts of international repute. It comprised three core programme elements: strategies, policies and programmes for the promotion and development of the SME sector; organization of SME support institutions; and support services to upgrade productivity and competitiveness in the SME sector. In addition, the SME programme contained three specialized programme elements: restructuring and development of subsectoral clusters of SMEs; industrial contribution to rural development; and entrepreneurship development and enterprise creation.

53. Mr. VENKATARAMAN (Managing Director, Investment and Technology Promotion Division), introducing agenda item 4 (b), said that the activities of the Technology Service had been realigned in the changed international industrial and technological context. Innovative activities such as "Techmarts", the development of an expert system for technology negotiation and assistance and advice in Build-Operate-Transfer contracts had been undertaken. Other activities included revitalization of industrial technology research institutes in developing countries, centres for the application of solar energy, generation of awareness relating to the advancement of

manufacturing technology and cooperation among developing countries in technology monitoring. An increasing number of activities were aimed at helping enterprises, such as promotion of software packages for small- and medium-scale industry and transfer of biotechnology. A project concept encouraging developing countries to address all the interrelated aspects of competitiveness in technology was ready for implementation.

54. Transfer of technology was the basis for planning the rehabilitation of sectors, optimization of their production, improvement of their performance, efficiency, quality and design of products, environmental compatibility and cleaner production. UNIDO continued to play a major role in the Commission on Sustainable Development, particularly in the preparation of demonstration projects. It would be hosting a round-table meeting on the transfer of environmentally sound technology, cooperation and capacity-building. UNIDO's contribution to biotechnology had been recognized by its designation as United Nations System Task Manager; a report on the subject had been prepared for submission to Member States in May 1995. Increasingly, emphasis was being placed on integrating activities within the Organization itself. The concept of an investment and technology partnership initiative had been developed and disseminated. Developing countries were being encouraged to adopt long-term comprehensive measures to accelerate investment and the absorption of related technology so that both the investor and recipient countries could fully benefit.

55. With regard to agenda item 4 (f) on investment promotion, consistent efforts had been made by the Investment Service in 1994 to streamline procedures, impose tighter quality control on investment proposals, monitor follow-up and increase and coordinate communication. There had been increased emphasis on project completion facilities and there had been strong growth in 1994 in demand for UNIDO's services in investment promotion. Sixteen countries had asked to participate in the Investment Promotion Service (IPS) offices network, which had developed into a powerful tool. The growing demands on the network had led to the proposals for streamlining the organization of IPS offices (IDB.13/12/Add.1). The Board might wish to take note of the steps proposed to improve and strengthen the investment promotion network further.

56. With regard to agenda item 7, the aim was to put UNIDO in the mainstream of industrial cooperation in the world. A three-pronged approach was being used: cooperation through consultations, industrial partnerships and economic and technical cooperation among developing countries (ECDC/TCDC). Consultations were being reoriented to focus on emerging issues, aim at concrete measures of cooperation and examine how the Organization's objectives could be met in any given sector or group of sectors at global or regional level. The Industrial Cooperation and Consultation Service had become more compact and its staff addressed wider issues of international cooperation, in addition to consultations. ECDC/TCDC would focus on three areas: technology exports and investment between developing countries, association with and assistance to cooperative activities already under way in regions and subregions and support to the least developed countries (LDCs). In the area of partnerships, a number of innovative activities had been initiated and other opportunities were being explored.

57. Ms. TCHEKNAVORIAN-ASENBAUER (Managing Director, Industrial Sectors and Environment Division), introducing agenda item 4 (e), said she would like to report on progress achieved since January 1994. Under the restructuring of UNIDO, the environment and energy programme had been consolidated with UNIDO's subsector-specific activities. It had therefore been necessary to orient the programme towards certain priority areas in order to achieve maximum impact with regard to activities covered by UNIDO's mandate. The priority areas reflected the needs of small- and medium-scale industries and the need to build up national capacities.

58. One priority was the transfer of clean technologies. A start had been made on the establishment of UNIDO/UNEP clean technology centres in cooperation with national institutions, with the aim of building up local capacity and promoting the introduction of cleaner production and pollution prevention techniques in local enterprises. The programme had started in six developing countries, with financial assistance from the Netherlands and Denmark, and in two economies in transition, the Czech Republic and Slovakia, with support from the Austrian Government.

59. The next important item was information on transfer of clean technologies. Through its Industrial and Technological Information Bank (INTIB), UNIDO provided information to developing countries to help them select appropriate technologies.

60. Another priority area concerned the transfer of chlorofluorocarbon-free technologies and the phasing out of ozone-depleting substances. Projects worth $24 million had already been approved and the amount could rise to $55 million by December 1994. The programme was the largest UNIDO operation and already covered 26 countries. In 1995, it was expected that 50 countries would be covered, with 120 projects. The Indian Government had entrusted UNIDO with the task of phasing out chlorofluorocarbons in the small- and medium-scale industry sector. That was a large area, and the programme would form a basis for similar programmes in other countries. The main UNIDO mandate in that regard was to work in small- and medium-scale industries.

61. The fourth area was policy and ESID (ecologically sustainable industrial development) strategy. UNIDO had become involved, within the United Nations system, in contributing to issues relating to environmental policies and the consideration of ecological aspects in the formulation of industrial policies. Those activities were receiving Word Bank support.

62. Another important field in which UNIDO was active concerned chemical safety. As the sixth agency along with WHO, UNEP, ILO, FAO and OECD, UNIDO was signing a legal document under which it would join a new coordinating mechanism in the field of chemical safety and sound management of toxic chemicals within a strengthened International Programme on Chemical Safety (IPCS). UNIDO was concerned with assisting industries such as the pesticides industry in that regard. An important activity was the Regional Network on Pesticides for Asia and the Pacific (RENPAP), a network in Asia bringing countries together to discuss problems relating to the safe development of pesticides in the region. The network had continuously expanded and had now been included in the $12 million UNDP FARM (Farmer-Centred Agricultural Resource Management) programme. Overall, the RENPAP programme was linked to projects worth more than $120 million.

63. Water management was also an important priority. The target area was GEF (Global Environment Facility). UNIDO was involved in a major project in the Gulf of Guinea; the project had been approved and was funded by GEF. Another important project was under preparation in China.

64. In another area, a major effort had been made to develop a leading role in the implementation of Agenda 21 projects. The Industrial Sectors and Environment Division, the Country Strategy and Programme Development Division and the Funds Mobilization Division had been cooperating closely to formulate and secure funds for projects comprising industrial components of China's Agenda 21 programme.

65. UNIDO had also become involved in the area of trade and eco-labelling. Preparations were being made for the provision of guidelines to institutions such as the International Organization for Standardization (ISO) and UNCTAD.

66. In the area of energy, the work being done covered energy efficiency, new and renewable sources of energy and an emphasis on cleaner coal technologies. UNIDO had a potential role in implementing projects funded by GEF in the area of reducing emissions of greenhouse gases. A major UNIDO involvement was in China, where the Organization was promoting the transfer of a new efficient technology for the combustion of coal.

67. With regard to cooperation with other organizations, the four organizations based in Vienna had agreed to work together on energy technology information and market evaluation. As part of cooperation within the United Nations system, UNIDO was now a member of the Inter-Agency Committee on Sustainable Development, which had recognized UNIDO's role in areas such as water, energy, transfer of technology and trade. UNIDO had been designated Task Manager on Biotechnology and was preparing a report on the subject. Very many meetings with environmental implications were currently being convened; UNIDO therefore had to confine its attention to those where major strategies and policies were being developed for the whole United Nations system. Retraining programmes had also been provided to enable programme managers to reorient their programmes towards environmental issues and to sustainable industrial development.

68. Ms. KING-AKERELE (Managing Director, Country Strategy and Programme Development Division), introducing agenda item 4 (g), said that the Integration of Women in Industrial Development Unit was based in her office, thus facilitating the inclusion of gender-related considerations at an early stage in the design and formulation of country strategies and programmes. During the first ten months of restructuring, progress had been made in including gender considerations in the mainstream of an increasing number of UNIDO activities. The identification, promotion and formulation of projects specifically targeting women had also been vigorously pursued. Two large projects had been approved and a number of others were being formulated. The integration of women in industrial development was one of the cross-sectoral themes being given priority by the Organization. Efforts were focusing on support to women entrepreneurs and small- and medium-scale enterprises and micro-enterprises, human resource development and the transfer and development of appropriate technologies, environment and energy. A series of staff training seminars had been initiated on gender issues in industry with the aim of increasing the level of awareness of UNIDO staff on the subject. Such activities would be pursued and further strengthened in coming years.

69. UNIDO's efforts to enhance equal participation of men and women in industrial development included its contributions to the Fourth World Conference on Women to be held at Beijing in 1995. An inter-divisional task force had been established to coordinate the input for that Conference. UNIDO was preparing five in-depth regional studies on the participation of women in manufacturing, as contributions to the five regional preparatory conferences, three of which had already been held. Although UNIDO would be contributing significantly to the drafting and subsequently the implementation of the Platform for Action to be decided by the Conference, UNIDO's efforts needed to be strongly supported by Member States at national and regional level if it was to achieve the required impact in that respect. The Board might wish to reiterate the importance placed by UNIDO Member States on the components of the Platform for Action designed to increase and enhance the participation of women in the industrial sector and the role of women in economic decision-making and in productive processes at all levels. It might also wish to provide the Organization with further specific substantive guidelines on the subject, since it was of crucial importance that UNIDO should derive a strong and renewed mandate from the proceedings and decisions to be adopted at the Conference.

70. With regard to the industrialization of LDCs in the 1990s, UNIDO had continued its support to LDCs through 164 projects. Eleven countries received assistance in mobilizing financial resources for industrial development and investment promotion capabilities. Projects concerned with the processing of basic raw materials such as paper, hides and skins had been regionally funded, covering several African LDCs. A series of projects relating to private sector development and privatization had been implemented or were under way in Mali, Mauritania and Ethiopia. Regional workshops had been held on privatization policy, strategy and practice. Twelve LDCs had received assistance in developing small-scale industry, and programmes for human resources development had been undertaken in 17 LDCs. Technical assistance in the relatively new field of national industrial statistics programmes was provided to eight LDCs in Africa. In the LDCs in Asia and Africa, the trend was for UNIDO services to concentrate on activities such as studies resulting in concrete policy and strategy recommendations. There was an increasing tendency in the LDCs to focus on rural industrialization for employment generation. Special attention had been given to the development of agro-related metal-working industries and food processing in five Asian LDCs.

71. In the immediate future, it was expected that poverty alleviation within the framework of the Industrial Action Programme for LDCs would be the area attracting greatest attention within and outside the United Nations system, and would be of particular interest to UNIDO. UNIDO was determined to make a renewed effort to seek the most effective means of contributing to the industrialization of the LDCs. Those efforts would be pursued in cooperation with UNCTAD, UNDP and the regional commissions.

The meeting rose at 1.05 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 8 November 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)
later: Mr. WEJTKO (Poland)

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The meeting was called to order at 3.25 p.m.

PROGRESS REPORT FOR 1994 ON SPECIFIC UNIDO ACTIVITIES, IN PARTICULAR:

(a) HUMAN RESOURCE DEVELOPMENT

(b) DEVELOPMENT AND TRANSFER OF TECHNOLOGY

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(d) SMALL- AND MEDIUM-SCALE INDUSTRIES

(e) ENVIRONMENT, ENERGY AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

(f) INDUSTRIAL INVESTMENT PROMOTION

(g) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT
(continued) (IDB.13/12 and Add.1)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.13/13)

INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS (INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (continued) (IDB.12/2, chap. IV, paras. 26-40; IDB.13/15, IDB.13/16, IDB.13/30; IDB.13/CRP.3)

1. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, said that document IDB.13/12 was far too long and diffuse and that he was not convinced of the value of the information it contained. All the same items would be considered at the next session, when the Board discussed the Director-General's Annual Report for 1993. At a time when the Director-General was

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making efforts to prioritize the Organization's activities, Member States should help him by refraining from debating the same subjects at every session. On the other hand, he approved of the fact that all the information had been assembled in a single report, thus reducing the number of documents before the Board. UNIDO might usefully follow the line taken by the UNDP Executive Board in its decision 94/4, by which it had decided that reports from the Secretariat should normally consist of no more than three pages and include sections identifying the objective of the report, the means of implementation and the decision requested of the Board. Where unavoidable, additional information should be provided in an annex or addendum.

2. Apart from its excessive length, the document gave no indication at all of the costs, either relative or absolute, of activities already undertaken or envisaged and no assessment of their value and effectiveness. A mere list of projects and activities with no indication of how they fell into the overall development process was not particularly informative. The document, moreover, gave very little impression that the Organization had been trying to narrow its focus: there was little reference to the reform process and only a few indications of specific programme priorities. He would be glad to learn whether during the past year UNIDO had turned down any requests for assistance or terminated on its own initiative any activities appearing to be of marginal usefulness.

3. Turning to the specific activities themselves, he expressed concern that no reference was made in the section on human resource development to the recent evaluation of that programme. There seemed to be a contradiction in paragraph 4, which stated at one point that the programme had concentrated its activities since January 1994 and later that it faced great resource constraints. The right priorities had perhaps not yet been set. In general, however, he supported UNIDO's activities in that field, although he considered that more attention should be paid to both formal and vocational training and education in the developing countries. Education was essential if all sectors of the population were to take their proper places in society and countries were to be able to develop their capacities. UNIDO should make a full contribution to the efforts of the United Nations system concerning human resource development, paying due attention to the opportunities offered by South-South cooperation.

4. In dealing with the development and transfer of technology, UNIDO should concentrate on priority sectors. He would not include metallurgy among those sectors.

5. He had been impressed by the report on small- and medium-scale industries and by the areas of concentration adopted in that programme, namely, the policy and institutional levels. It seemed to him that the strategies and policies of the Small and Medium Enterprise Branch were already focused on the right lines and that its proposed activities, though wide, were not over-ambitious.

6. He also approved of the report on the environment, energy and sustainable industrial development programme, in which clear priorities had been set, capacity-building was an integral part of the activities and cooperation with other United Nations agencies was successfully developed.

7. On the matter of industrial investment promotion, he believed that the question of setting up IPS offices in Member States called for a great deal more thought and that no regular budget resources should be used for that purpose. Regarding the possible establishment of a legal framework designed to attract foreign investment, he pointed out that other organizations were already active in that field with which cooperation should be expanded. It did not seem appropriate for UNIDO to duplicate their efforts. In particular, greater care should be taken to avoid overlapping with UNCTAD. The promotion of investment should be seen more as a result of other activities than as a goal in itself.

8. With regard to the industrialization of the least developed countries in the 1990s, he believed that the strengthening of the institutional infrastructure should be UNIDO's first priority.

9. He stressed the importance of integrating women into industrial development and expressed his full support for that programme.

10. Turning to agenda item 6, he reiterated the view that UNIDO was not an appropriate forum for considering the external debt. It had no mandate to do so and other bodies - such as IMF, the World Bank and the Paris Club - were competent to deal with the subject.

11. With regard to agenda item 7, he was still not convinced that the System of Consultations gave value for money. The meetings might, of course, provide opportunities for bilateral contacts and economic cooperation between the developing countries and UNIDO. But it was obviously necessary to proceed in an efficient way, and he hoped that the Director-General would study the possibility of ensuring that Consultations were conducted in areas where real expertise existed and where actual activities were likely to result. UNIDO should, of course, organize consultations only on subjects on which it considered that it had a specific advantage.

12. Mrs. OK (Turkey) said that human resource development should respond to the requests of Member States and meet the priority needs of the developing countries and countries in transition, where the skills required by industry were not always available. Her country particularly welcomed UNIDO's new approach aimed at creating a sustainable industrial management capacity in developing countries, with special emphasis on new production methods and techniques aimed at raising the quality of production and the productivity of the industrial sector.

13. She welcomed UNIDO's intention to promote greater use of training institutions in the developing countries while at the same time improving their capacity to design and carry out training programmes. Eighty-three specialists from 35 countries had attended training programmes on a variety of subjects in Turkey in 1993. Her country had offered to set up an umbrella project which would be designed to modernize the training centres in Turkey that cooperated with UNIDO in organizing in-plant training programmes. It had been proposed that Turkey's Cement Research and Development Centre and National Cleaner Production Training Centre should be modernized under UNIDO's auspices. Both centres, after modernization, could continue to be used as regional centres and

train large numbers of people from the least developed countries. She urged that UNIDO should give serious attention to those projects and that major donors would consider contributing to them.

14. Noting that the human resource development programme faced great financial constraints, she urged the Director-General to allocate to the programme funds derived from savings, including those from unfilled vacancies.

15. Her delegation had been glad to note the establishment of the Small and Medium Enterprises Branch in line with UNIDO's new priorities and fully agreed that SMEs could contribute immensely to overall industrial competitiveness, employment and sustainable development. In fact, they played a vital role in production, innovation, job creation and industrial specialization. The Turkish Government was promoting an expansion of their role at present and believed that SMEs should be encouraged to attain their full economic potential. It had accordingly created the Small and Medium Industry Development Organization (SMIDO), whose aims were: to provide SMEs with access to information and technology; to support entrepreneurship by helping to channel investment to appropriate projects and to promote the utilization of idle industrial capacity, by providing opportunities for joint ventures and by regulating creative and innovative activities for SMEs; to strengthen the ancillary industrial relationship by providing consultant services on specific subjects; to offer training to strengthen the capabilities of SMEs in such areas as investment, management and planning; and to provide marketing assistance to enable them to remain competitive in domestic and world markets. SMIDO was providing consultancy services to developing countries and technical and managerial training for entrepreneurs from a considerable number of countries in transition. It was carrying out comparative studies on the development of small businesses by participating in a number of regional and international development projects. Her delegation highly recommended the development of such mechanisms in the developing countries and fully supported the SME programme.

16. Turkey also supported programmes and activities for women entrepreneurs in various industrial areas, considering that women had in particular an important role to play in the SME sector and should be provided with training and with income-generating opportunities.

17. She hoped that the UCD post in Ankara would indeed be filled during the coming year and that the centre would be strengthened to serve as a regional UCD in due course. The information set out in document IDB.13/29 brought out the weakness of UNIDO's field representation as compared with that of other specialized agencies; in particular, almost the entire cost of ILO field representation was covered by the regular budget, whereas in the case of UNIDO the proportion was only 23.6 per cent. Her country fully supported UNIDO's intention to continue financing the present programme until the end of 1995 in the manner described in paragraph 14. Thereafter the establishment of a separate fund to finance the field representation programme might be a feasible alternative. That would not preclude outposting of headquarters staff or assignment of national staff. All possibilities should be considered, and in particular subregional and regional representation should be arranged whenever possible. Her country would be ready to host a regional centre to provide services to countries in the Middle East, the Caucasus and the Balkans and hoped that UNIDO would take the necessary action on that matter during the coming year.

18. Turkey was studying the possibility of setting up a Centre for Hydrogen Energy Technology to promote the introduction of hydrogen as a source of clean energy. Such a centre would be of assistance in implementing regional and international scientific cooperation. Her Government had made a financial contribution of US$ 100,000 to the project. UNIDO was preparing a feasibility study on it, and her delegation wished to urge the Secretariat to complete and submit the report as soon as possible and hoped that countries which had expressed interest in it would confirm their intention to participate.

19. Her country welcomed UNIDO's activities in the area of environmentally-sustainable development and its position as one of the four implementing agencies of the Multilateral Fund for the implementation of the Montreal Protocol. The Turkish authorities had recently begun to work with UNIDO on the implementation of projects related to the Montreal Protocol and hoped that UNIDO would assist in preparing projects for submission to the Multilateral Fund at its fifteenth session the following month.

20. Mr. AARDAL (Norway) expressed his appreciation for the work done by the interdivisional working group on SMEs and for the success of the SME Branch in concentrating on the two core areas originally proposed by the expert group in 1993, namely, assisting Governments with SME strategies, policies and programmes and building up support institutions and systems. That was what his country had hoped for as a result of the reform process - that the different units of UNIDO would concentrate on areas where they had a specific advantage and that they would not propose over-ambitious activities.

21. With regard to agenda item 4 (e), his country welcomed UNIDO's continued efforts to implement Agenda 21 and to develop its cooperation with other United Nations agencies. It also welcomed the fact that environment- and energy-related programmes had now been linked with other industrial subsectors and hoped that efforts to develop environmentally-friendly projects would continue.

22. He had noted that the integration of gender considerations into all UNIDO activities and the implementation of the programme and plan of action for the integration of women in industrial development would continue. That point was important, but the significance of programmes specifically aimed at women must not be overlooked. UNIDO should continue to strengthen the programmes, projects and activities which were specifically aimed at women in industrial development.

23. Mr. WANG (China) said that his delegation had noted with satisfaction the activities and exploratory work carried out by the Secretariat in the areas of human resource development, the development and transfer of technology, industrial rehabilitation, SMEs, etc.

24. Regarding the environment, energy and sustainable industrial development, China had been glad to note that, in adapting to the changing international situation, UNIDO had attached sufficient importance to technical cooperation activities in that area and that it had also played an active part in the implementation of the Montreal Protocol and Agenda 21. UNIDO could and should make its own contributions to the process of industrialization, particularly of the developing countries, in the area of the environment and energy, and in so doing it would also open up new horizons for its own development.

25. In its progress towards modernization, his Government always attached great importance to environmental protection and the elimination of industrial pollution as a matter of State policy. It was ready to cooperate with all international organizations in achieving the goals set in that connection. UNIDO had participated actively in the Round-table Conference on China's Agenda 21 held in July 1994, and it was hoped that UNIDO would maintain and strengthen technical cooperation and exchanges with the competent departments and enterprises in China.

26. UNIDO's activities in the area of industrial investment promotion had shown notable results in recent years. The investment promotion network had been playing an increasingly important role, contributing to the transfer of capital and technology from the developed to the developing countries. On the basis of the successful establishment of several in industrial promotion programmes by UNIDO and his Government, an industrial promotion programme for South-West China had recently been launched and an international investment forum was to be held in mid-November in Kunming. His delegation believed that such activities would promote economic and technical cooperation with foreign countries, foster the development and use of the country's natural and human resources and accelerate its reform process. In order to promote the development of the North-Eastern region of Asia, the Chinese Government was currently holding consultations with UNIDO with a view to developing investment promotion activities.

27. On the question of the integration of women in industrial development, China, as the host country, was making active preparations for the Fourth World Conference on Women to be held in 1995. The first part of a training programme on women's participation in the country's modernization process had already achieved satisfactory results. The Chinese women entrepreneurs trained under the programme were now passing on to others the enterprise management skills they had acquired. It was hoped that UNIDO would continue to assist in that project, which was still at an early stage.

28. In connection with agenda item 7, his delegation had noted the information on the four Consultations held in 1993 and the proposed meetings for 1996-1997 (IDB.13/15, IDB.13/16). It had always regarded the System of Consultations as an important element of UNIDO's operations, but felt that Consultations should not be held in isolation. Efforts should be made to find an approach that combined Consultations with the promotion of technological cooperation, in order to achieve more concrete results. Only in that way could the System of Consultations be attractive to both developing and developed countries and to both Governments and enterprises.

29. On the question of economic and technical cooperation among the developing countries (ECDC/TCDC), his delegation noted with regret that such activities had not been adequately reflected in the documents before the Board. The Chinese Government fully supported UNIDO's endeavours in connection with ECDC/TCDC and called upon the Secretariat to take steps to strengthen the relevant units in terms of manpower and material resources, with a view to enabling them to satisfactorily meet Member States' needs for ECDC/TCDC assistance.

30. Mr. AL-GHAIS (Kuwait) said that his delegation hoped that UNIDO would continue to expand the sphere of application of the subprogramme for the Arab countries, especially in the area of regional cooperation among those States. In particular, it was necessary to promote cooperation between UNIDO and the Arab Industrial Development and Mining Organization (AIDMO), with a view to intensifying efforts to implement agreed common programmes and promote Arab country programme priorities, with the collaboration of the Economic and Social Commission for Western Asia (ESCWA); the work of joint UNIDO and AIDMO technical committees should be promoted, in order to determine common priority action that could be implemented in the next two years; coordination between the two organizations concerning the implementation of activities in support of industry for the independent Palestinian Government should be pursued, and the possibility of increasing the number of UNIDO Country Directors in the Arab countries should also be considered.

31. The industrial development of the Arab countries was linked to the establishment of peace and stability. No group of States could achieve progress in the field of industrial development unless all the Governments concerned pursued a policy of peaceful coexistence and mutual respect. The Arab world had witnessed encouraging political progress in the peace negotiations between Israel and its neighbours, which could create an environment enabling those countries to pursue their industrial development. However, in the Arab Gulf region, acts of aggression and renewed threats by the Government of Iraq had given rise to a precarious situation, in which the countries of the region could not devote adequate efforts to promoting industrial development and were obliged to allocate most of their resources to defence and armament. While thanking UNIDO for its efforts to help Kuwait overcome the consequences of the Gulf War crisis, he wished to reaffirm his country's further need for the Organization's assistance.

32. His delegation regarded the promotion of the role and integration of women in industrial development as an important issue. While noting the measures adopted in that connection within UNIDO, it wished to advocate the allocation of administrative and other posts to a larger number of women in the Organization. Kuwait had taken steps to integrate women into the country's industrial and social development process. Kuwaiti women had access to all branches of industry, and their status and integration were promoted by many governmental and private enterprises.

33. Mr. KARA (Czech Republic) said that his delegation shared to some extent the criticisms levelled at UNIDO's performance, but still believed that the Organization's successful

revitalization would lead in the near future to full employment of its capacities.

34. That optimism stemmed inter alia from developments in the European programme. His delegation appreciated the attention now being paid by UNIDO to the promotion of cooperation with countries with economies in transition. In particular, concrete measures had been achieved through the joint programme between the Czech Republic and UNIDO. His country had decided to maintain its support for the Industrial Development Fund and was pledging a voluntary contribution for 1995 amounting to the equivalent of US$ 400,000, most of which would be used to support the training of experts from developing countries.

35. The process of transition implied that the countries of Central and Eastern Europe would sooner or later be ready to join the family of the so-called developed countries and shoulder their share of responsibility for global cooperation. Thus assistance given to those countries would yield considerable benefits in increasing global donor capacity. They differed in their needs and potential but their very differences provided a basis for "East-East" cooperation. He accordingly recommended that UNIDO's regional strategy should take more account of existing intraregional capacities and the possibilities of experience-sharing among countries in different stages of transition.

36. Country strategies should be tailored case by case to fit each country's situation. Some countries might require long-term support, and strategies should be aimed at mobilizing more external resources to promote the restructuring of their industries on the basis of the country support strategy. On the other hand, in other countries, including his own, the emphasis might be on identifying their potential for global and regional cooperation and on strengthening their development assistance capacities, so that they were seen as providers of assistance rather than recipients.

37. Part of such a strategy should naturally be a firm commitment by UNIDO to provide individual countries with better access to information on projects in the pipeline in other regions (for instance, in Africa or in countries undergoing changes similar to those in Central and Eastern Europe). Only then could governmental institutions and subcontractors from the region take an active part in capacity recruitment.

38. Mr. VELAZCO (Cuba) said that the developing countries were still suffering from sluggish economic growth, as a result of inadequate access to trade and technology, low commodity prices and an excessive burden of external debt. Those and other factors, including diminishing financial flows, made it increasingly difficult for them to achieve sustainable industrial development.

39. His delegation noted with satisfaction the steps taken by UNIDO since the fifth session of the General Conference to reduce the existing imbalances. It believed that the programming missions launched to developing countries were an appropriate vehicle for acquiring on-the-spot knowledge of the services required from UNIDO and would enable the Organization to rationalize further the use of its available resources. Cuba had been one of the first countries to receive such a mission, in March 1994, but unfortunately it had not yet been possible to make progress towards attaining the objectives set as a result. His delegation believed that the success of such missions would depend upon the speed with which UNIDO acted on the results obtained from them.

40. It was becoming increasingly apparent that special attention needed to be accorded to the human dimension of development and to the acquisition of expertise and technology by local populations. Human resource development was necessary in order to generate the skills, motivation and technical capabilities that were required by industry and were essential for dynamic industrial growth. Without an adequately trained labour force, industrial development would be very precarious, since a high level of specialist skills was one of the key elements in determining the competitiveness of any economy. UNIDO's services in those areas could be made a little more extensive, through the formulation of regional training programmes which took into account the needs of each country. The Organization's technical staff could also play a more active role in manpower training in the developing countries.

41. His delegation considered UNIDO's environment and energy programme to be very important. It was pleased to note the progress achieved to date in the programme's implementation and hoped that the projects to be executed would be as effective as those carried out under the Montreal Protocol.

42. Increased funds should be made available in order to make UNIDO's services more effective. There should be greater flexibility in the Organization's financial regulations so that a higher percentage of its budgetary resources could be allocated for technical assistance to the developing countries.

43. Mr. SSENDAULA (Uganda) said that the importance of human resource development for industrial development could not be overemphasized. To survive and compete in the world today, developing countries needed a highly-qualified labour force, and institutes of higher education must be able to produce people well trained in academic and professional disciplines. His delegation appreciated UNIDO's efforts in training activities, particularly for middle and senior-level management and technical personnel engaged in industry. However, it had noted with dismay that the Organization's human resource development activities were hampered by a shortage of financial resources. It therefore appealed to donor countries to increase their contributions in support of such programmes. In addition, it would request the Director-General to give priority to the Human Resource Development Branch in the allocation of resources.

44. His delegation felt that UNIDO could still accomplish much more in the area of development and transfer of technology. Developing countries needed assistance in the selection and adoption of appropriate technologies. It was gratifying to note that the Organization was paying special attention to the revitalization of industrial technology research institutions in the developing countries. UNIDO should continue its efforts to monitor and evaluate new technologies that might be beneficial to the developing countries and

should actively encourage and promote joint ventures for a more effective transfer of technology.

45. Small- and medium-scale industries offered great potential for building a broader and more resilient base for industrialization. His delegation believed that the development of such industries in the least developed countries should be given priority and that the number of related programmes should be increased.

46. His delegation noted with appreciation the Organization's efforts to integrate women further into development through the new UNIDO guidelines that had made it a requirement at the pre-screening stage to assess the extent to which gender issues had been considered and to evaluate the impact on women of the services proposed. Further consideration needed to be given to employing more women in senior or Professional posts within the Organization.

47. An acceptable and long-lasting solution urgently needed to be found to the external debt problem. The donor community should seriously consider rescheduling most of the debts outstanding and in some cases cancelling them. The developing countries should be given a chance to start afresh, and any loans granted subsequently should be carefully considered to ensure that the borrowers had the capacity to repay them. UNIDO should also continue to promote financial contributions to the Industrial Development Fund in order to increase the competitiveness of industry in the highly indebted developing countries.

48. Mr. POROJAN (Romania) said that it was to the Director-General's credit that at a time of major structural adjustments, extreme resource constraints and unpredictable future financial inflows, he had managed to develop a framework for reorienting and prioritizing UNIDO's services, and to introduce an improved management system for implementing the reform process, a new organizational structure and more efficient operational procedures. However, the full success of the process of reform and restructuring would depend upon both the donor and the recipient countries.

49. Nearly five years had elapsed since dramatic political changes had taken place in Romania and in other Central and East European countries, and today the democratization of society and the separation of powers was an established fact. Romania's economy had undergone important changes and it was now firmly in transition to a market economy. Unfortunately, initial optimism about the duration and difficulties of that change had not been justified, largely because of problems due to lack of experience. During the first four years there had been a steep drop in industrial output, a high rate of inflation and rising unemployment. However, since the last quarter of 1993 signs of improvement had appeared and for the first time since 1988 the Romanian economy had grown (by 1 per cent). By means of strict public expenditure control and a cut in practically all subsidies, the country had moved from a consolidated deficit of 7 per cent of GDP in 1992 to near balance in 1993. That trend had continued in 1994, and the Government's strategy was closely coordinated with IMF and World Bank policies.

50. As a result of higher interest rates, the predicted inflation rate for 1994 was below 70 per cent, compared with over 300 per cent in 1993. Growth in GDP in 1994 was expected to be 1 per cent, with a predicted rate of 4 per cent after 1996. The exchange of the local currency to the dollar had remained stable in 1994. Industrial output had increased by 2.1 per cent in the first three quarters of 1994, and exports of industrial products in the first nine months had been 34.5 per cent higher than in the previous years.

51. Romania's most important task at present was the transfer of industrial property. The parliament was at present debating a government proposal that would allow privatization of some 3,000 companies (of which more than one third were industrial enterprises) within a few months. That process was supported by international organizations, and Romania was hoping to benefit from assistance in the difficult process of major internal transformation.

52. The total value of UNIDO projects in Romania had risen from US$ 50,000 in 1991 to about US$ 600,000 in 1994 for all the activities included in the Work Programme of the Joint UNIDO-Romania Centre.

53. The newly-established Industrial Sectors and Environment Division was extremely important, and Romania supported the move by UNIDO and UNEP to back joint country initiatives to establish national centres to formulate and implement a coordinated programme for cleaner production. In that context, his delegation welcomed the UNIDO proposal to complement the ongoing activities of the GEF project "Environmental management and protection of the Black Sea" by including the UNIDO approach of promoting cleaner production technologies in the Black Sea countries.

54. Industrial promotion was an important domain in which the Bucharest Office of the Joint UNIDO-Romania Centre was permanently engaged. In 1994 UNIDO had sent two missions to Romania to help identify investment opportunities. The first mission, organized by the Investment Promotion Office in Milan, had promoted 18 potential projects for cooperation, transfer of technology or joint ventures between Romanian companies and Italian investors at the BORITEC Fair in Milan. The second session, financially supported by the French Government, had been concerned with investment projects in environmental protection in metallurgy and equipment for pollution control. He thanked the French and Italian Governments for financing those missions and stressed the professionalism of the UNIDO experts involved. At the same time he reaffirmed his country's interest in the approval by the UNIDO Secretariat of the proposal for the establishment of an Investment Promotion Centre within the Bucharest Office of the Joint UNIDO-Romania Centre.

55. Romania considered that some of the fields mentioned in document IDB.13/12 could generate interesting projects. They included: specialized training programmes in the selection of sustainable technologies, preparation and appraisal of small business projects, practical approach to investment project financing, linking investment promotion with technology upgrading, and information services to industrial companies, government agencies, and small and medium enterprises.

56. Another field of interest was rehabilitation and modernization of industrial enterprises using the UNIDO four-step approach: Romania had already

proposed a project for assistance in the restructuring of a leading Romanian chemical complex. Assistance to government institutions in formulating policy and legislation was provided through other international channels, but there was an acute need for assistance to individual enterprises before or after privatization. In that context he believed that the model for restructuring projects carried out in Poland for 15 large State-owned enterprises, based on the United Kingdom Know-How Fund could be followed by Romania, which would greatly appreciate receiving assistance from that Fund for the promotion of such projects.

57. Assistance to small and medium enterprises was another interesting possibility. Romania's Centre for the Promotion of Small and Medium Enterprises provided free consultancy to small entrepreneurs on subjects ranging from market analysis to the elaboration of business plans and financial management. In the past year the Centre, in cooperation with local authorities, had established a series of sub-centres in large cities of Romania, and extension of its activities on a regional basis was the objective of a new UNIDO project.

58. Environmental protection and sustainable industrial development was the subject of a number of projects in the 1994 Work Programme. He stressed the importance of approving a proposed project on the treatment of domestic waste in a medium-sized industrial town. Romania had greatly appreciated the support of the Managing Director of the Industrial Sectors and Environment Division in identifying environment-related projects during visits to Romania.

59. Industrial investment promotion had been one of UNIDO's main activities in 1993 and 1994, and his delegation stressed the need to strengthen technical and other support for such activities. The Director-General had focused attention on developing integrated programmes of technical cooperation designed to attract foreign investment resources, covering advice on policy and legislation, improvements in the structure of investment, the strengthening of investment promotion agencies and related institutional mechanisms.

60. The Investment Promotion Initiative launched in 1993 was aimed at promoting investment opportunities in the former socialist States and selected developing countries. Romania hoped to benefit from it and from similar initiatives by donors. With support from UNIDO, the existing Joint UNIDO-Romania Centre could become an important focal point for promoting appropriate industrial investment activities. Romania was also interested in UNIDO's assistance in identifying and promoting investment projects and in establishing a regional investment promotion network in the Black Sea area.

61. Another field of interest was the integration of women in industrial development. UNIDO had a long way to go to improve the representation of women in the Secretariat, especially at the Professional and higher levels, and new recruitment presented an opportunity to rectify the current situation.

62. Document IDB.13/12 was, in his delegation's view, proof of UNIDO's capacity to adapt to new economic and political conditions. The Annual Report for 1993 and the Progress Report for 1994 were an improvement over those of previous years. His delegation appreciated the considerable progress made in restructuring UNIDO and fully supported the changes in the organizational structure and the reform of administrative and management procedures carried out since the fifth session of the General Conference. It looked forward to taking an active part in all discussions concerning the continued improvement in UNIDO and was convinced of the importance of regular comprehensive monthly briefings for different geographical groups.

63. Mr. Wejtko (Poland) took the Chair.

64. Mr. AMMAR (Tunisia) said that his country believed that the new approaches to technical cooperation would strengthen and improve the performance of Tunisia and other developing countries in industrial development.

65. As far as quality and standardization were concerned, UNIDO should focus on industrial strategies to improve product quality and restructure standard-setting bodies by placing the accent on specifications or standards for agro-industries and other sectors, with a view to establishing the necessary procedures and training regional specialists in ISO 9000 techniques.

66. The establishment of an Investment Promotion Service in Tunisia and UNIDO's assistance to Tunisian companies in achieving an international level of competitiveness were objectives to which Tunisia attached particular importance.

67. The appropriate infrastructure had been set up by encouraging free enterprise, making the dinar convertible and introducing an investment promotion code in order to establish a suitable climate for foreign investment and joint ventures.

68. He drew attention to the difficulties being encountered by Tunisia in establishing its IPS office. The salary required for UNIDO staff was far higher than that provided by the Tunisian administration, and an intermediate solution would have to be sought in order to avoid differences in remuneration for officials of comparable level.

69. The introduction at the national and international level of an environment conducive to industrial growth and competitiveness, in accordance with the commitments made at Yaoundé, was of the utmost importance and was one of the most important ways of achieving ecologically fair and lasting industrial development. It was also one of Tunisia's priorities.

70. Ensuring a healthy environment for present and future generations was the duty of all. Tunisia was greatly concerned by the present situation in that respect and was making sustained efforts to ensure that industrial development was compatible with a healthy environment. Various measures had been undertaken in Tunisia, including the establishment of a National Commission for Durable Development, whose recommendations included the establishment of ecotechnological centres at the national, regional and international levels. In addition, a meeting on Agenda 21 had taken place recently in Tunis.

71. His delegation noted with satisfaction UNIDO's efforts in promoting industries that respected the environment. UNIDO's promotion of such industries should be extended to all sectors,

and past and present projects in the developing countries should be consolidated.

72. His delegation welcomed the draft decision of the European Union and Austria on strengthening cooperation between UNIDO and other international organizations specializing in environmental matters.

73. Mr. FISENKO (Belarus) welcomed the efforts undertaken by the Director-General to reform UNIDO and hoped that the discussions at the present session of the Board would give fresh impetus to that process. The changes occurring in all areas of contemporary society illustrated the key role of industry in economic and social development. In countries with a transitional economy, including his own, industry and other areas of the economy had been restructured from a system of centralized management to one based on market economy mechanisms.

74. Although there were new and positive aspects to the Organization's work, there were also a number of deficiencies, including the dissipation of its efforts over many different areas of activity. His delegation agreed with those representatives who had argued that UNIDO should not duplicate the work of other organizations, in particular those dealing with macroeconomic policy and the restructuring of the economy as a whole. The Organization's efforts should rather be focused on finding solutions to specific tasks within its field of competence. In certain fields of industrial development, e.g. technology transfer, energy savings and the environment, UNIDO's work did not measure up to the demands of the present day. The Organization should seek new ways of attracting investment capital for the creation of new and the rehabilitation of existing industrial production facilities in recipient countries. His delegation endorsed the proposal that more attention should be given in UNIDO's programmes to the conversion of defence industry facilities.

75. It would be desirable to expand international efforts to alleviate the consequences of the Chernobyl nuclear disaster in accordance with resolution 17 of the General Conference of Yaoundé. Unfortunately, that problem was not even mentioned in the report before the Board.

76. The report of the Director-General on the implementation of concrete measures for 1994 also failed to include the important element of assessment of their success.

77. While welcoming in general the decentralization of UNIDO's activities, his delegation wished to stress that it should not hamper the dissemination of the experience gained on the ground in the various countries.

78. He agreed that UNIDO's future would depend above all upon the resolve of its Member States to solve industrial development issues in a spirit of cooperation. He hoped that all countries by their joint efforts would help the Organization to overcome its present difficulties and become an effective instrument for international cooperation.

79. Mr. JAMAL (Qatar) noted that document IDB.13/12 recorded progress in various fields. He reminded Members of the importance attached by the General Conference at its fifth session to the development of human resources. Fostering of skills, provision of employment opportunities, measures to facilitate the acquisition of applied science and technology, attention to social aspects and stress on managerial capabilities were all indispensable for the industrial development of the developing countries. UNIDO thus had a unique role to play in helping those countries to adopt policies for manpower training integrated with their educational systems.

80. The technological gap between advanced industrialized and developing countries continued to widen, despite sporadic efforts to facilitate the transfer of technology and despite the globalization of industry and production. If that gap was to be bridged, industrial growth and development would have to be accelerated in the developing countries through investment and joint ventures.

81. UNIDO could play an important role in facilitating cooperation between the advanced and the developing countries if it made the necessary changes in its structure and priorities in keeping with the principles of the Yaoundé Declaration. The achievement of that goal would require all Member States to support the Organization's strategies.

82. His delegation welcomed the establishment of the Techmart mentioned in the Annual Report for 1993, an approach that would allow SMEs to obtain appropriate technology. It also approved of the plan for organizing Techmarts in different locations every year.

83. He stressed the importance of providing scientific and technical training and the necessary financial resources to allow research and development institutions in the developing countries to progress and to make use of their achievements in order to foster an environment conducive to improved economic and commercial performance in those countries.

84. The President resumed the Chair.

85. Mr. YUSUPOV (Observer for Uzbekistan) said that his delegation approved of the Director-General's proposals for improving the effectiveness of UNIDO. At the beginning of his Government's own process of reform, involving the transition to a market economy, it had been decided that shock therapy was unacceptable. Instead, the reforms being introduced in Uzbekistan were based largely on a careful study of the experience of the developed countries. They contained five fundamental elements: priority solution of urgent economic problems; measures to ensure the existence of a strong executive; measures to ensure the rule of law; a strong social policy designed to prevent the impoverishment of the population; and a step-by-step approach to the implementation of reforms. All State organs exercising direct control of the economy had been abolished and privatization was proceeding vigorously.

86. Those steps, together with the country's sound political situation, had made Uzbekistan the first country in the Commonwealth of Independent States to increase production. It had very large deposits of gold, uranium and copper and substantial reserves of molybdenum, silver and other rare non-ferrous metals. It was also a major producer of cotton, vegetables and fruit. His Government was ready to cooperate with foreign countries and firms in various fields. A leading aim of its cooperation with international

organizations was to attract foreign investment for the execution of major projects in the priority fields of the national economy. It therefore welcomed UNIDO's help in organizing an Investment Promotion Service in Uzbekistan. The Organization's missions which had visited the country in 1994 had prepared several interesting projects and his Government was grateful to those countries which had indicated their willingness to finance them.

87. It urged the Organization to increase its assistance to countries in transition in order to ensure success in their reforms, and it appealed to donor States to accord greater help to the Central Asian region, whose wealth of human and natural resources gave it an enormous potential for growth. His delegation also urged UNIDO to pursue closer coordination with other international organizations when formulating technical assistance programmes. The Organization's cooperation with the countries of Central Asia would be strengthened if they had representatives working in the Secretariat.

88. Mr. HODEL (Switzerland), referring to item 4 (b), Development and transfer of technology, congratulated UNIDO on its work to promote environmentally-friendly industrial technologies. The Organization had a key role to play in the necessary process of transferring those technologies to countries which lacked them. UNIDO should do more to collect and disseminate all the existing information available on such technologies. That task required better coordination between the units of the Secretariat dealing with transfer of technology, studies and research, environment and specific industries. Information collection was costly and would necessitate priority being given to certain activities of the transfer of technology programme and others being abolished or curtailed. He believed the private sector would be willing to pay for high-quality information. It should be disseminated through chambers of commerce, professional associations and research institutes and sold to entrepreneurs, so that part of the cost of collecting the information was recovered.

89. His delegation was grateful that numerous workshops and seminars were conducted by UNIDO in the field of transfer of technology. It was high time that the Organization began to train trainers and confined direct training to circumstances where a manual or a training programme needed to be tested. It was essential that all UNIDO's activities, including its training work, should build local capabilities and generate real sustainability, not just prospects of sustainability. His delegation therefore criticized the comment on that point in paragraph 60 of the progress report (IDB.13/12). In addition, it wished to know how many collaboration agreements and joint ventures had resulted from Techmarts and what criteria were employed to assess the efficiency of Techmarts. In general it would like documents to contain much more quantitative information.

90. In regard to item 4 (f), Industrial investment promotion, his delegation was gratified to learn that UNIDO was preparing a scheme for charging fees for services delivered by Investment Promotion Offices. It suggested that the scheme should be submitted to the Programme and Budget Committee or the Board, at either's next session. His delegation was also glad that investment activities had gone beyond the traditional North-South pattern to include South-South investment flows. It was greatly concerned, though, at the tendency for the methods adopted by the various Investment Promotion Services to be standardized regardless of the region concerned. That was unrealistic in concept and something which the evaluation of the investment promotion programme did not seem to have recommended. Investment Promotion Services should be allowed sufficient discretion to select the methods most suited to the markets in which they operated.

91. Mr. GORELIK (Russian Federation) said that clear evidence existed of new elements in many areas of UNIDO's activity. The Secretariat was adopting a comprehensive approach to the implementation of priority programmes, for example in the "region-country-branch-enterprise" approach and the creation of interdepartmental working groups to solve multidisciplinary problems. UNIDO should pay greater attention to the search for long-term intersectoral projects which involved different organizations within and outside the United Nations system. His delegation foresaw great practical benefits from projects which covered simultaneously such fields as education, science, defence conversion and small and medium-scale business. That called for close cooperation between UNIDO and partners such as UNESCO.

92. His delegation noted with satisfaction the greater attention being paid by the Secretariat to programmes and projects for economies in transition and the strengthening of the European orientation in UNIDO's work, as well as the fact that the European programme had been assigned to an independent component of the Secretariat.

93. The cooperation between Russia and UNIDO was based on a memorandum signed in 1993, which provided for industrial investment promotion, the conversion of defence sectors, privatization, the development of small- and medium-scale enterprises and personnel training. Industrial investment promotion took the form of the organization, with the assistance of UNIDO, of investment forums for the Russian regions. Promising areas of work included the establishment in Russia of enterprise support centres, which it was planned to incorporate in the international network being created by UNIDO.

94. His Government had a high regard for the Organization's work on human resource development and on the development and transfer of technology, in particular with regard to the creation of international technology transfer centres. UNIDO's role in strengthening mutually advantageous relationships between developing and developed countries in the area of the introduction of advanced technologies should be expanded. Despite the difficulties of the transitional period, the Russian Federation was still able to offer considerable experience in scientific research and development in spheres of special interest to developing countries. It was prepared to make a conspicuous contribution to sustainable development by transferring its technologies to those countries. UNIDO's initiative in organizing Techmart exhibition seminars deserved particularly high praise. His Government was preparing for the business forums planned for 1995.

95. The Organization's energy programme took account in general of the observations made by Member States and the recommendations of the United Nations Conference on Environment and

Development. It was important to transfer ecologically safe technologies to developing countries. Broadly speaking, however, there was no sufficiently clear definition of how UNIDO's energy programme fitted in with its environment programme. Because energy-generating facilities were among the major sources of atmospheric pollution, coordination between those important programmes should be improved.

96. His delegation noted with satisfaction that the Organization was involved in preparing for the World Summit on Social Development and it hoped that the Secretariat would keep Member States abreast of developments on that question. UNIDO should take increasing account of social criteria in all its programmes and projects.

97. Mr. KOLLARIK (Slovakia) expressed his Government's great appreciation of the progress achieved in restructuring and reorienting UNIDO. The Organization had acquired a sharper substantive and country focus and aimed at favourable results from the pursuit of priority themes, as well as seeking closer linkages with Member States and their industries and more concerted fund mobilization. An example of the improvement in the Organization could be found in the cooperation it had extended to the young Slovak Republic. The Memorandum of Understanding between UNIDO and his Government provided for the following priority fields of activity: environmental protection and preservation of natural resources; economic restructuring, private sector development and privatization; transfer of technology and related information; industrial investment promotion; development of small and medium-scale enterprises; and human resource development.

98. Slovakia welcomed the fact that it had been selected as a priority country in the European region for the preparation of the Country Support Strategy. It was willing and able to render considerable support to the Organization in the promotion and acceleration of industrial development in the developing countries.

99. A Joint UNIDO-Slovak Republic Committee had been established with the task of preparing a programme of assistance to developing countries through UNIDO and reviewing its implementation. His Government intended to organize joint training workshops and seminars for experts from developing countries and countries in transition, in particular in regard to the environment, the development of small and medium-scale enterprises, privatization and training of human resources. His country attached great importance to future cooperation with UNIDO.

100. Mr. GUPTA (India) said that his delegation appreciated the detailed report on the activities of UNIDO and noted with satisfaction that the priorities identified by the Organization accorded with those of his own country.

101. UNIDO deserved to be complimented for making special efforts to strengthen the linkage between human resource development and the development and transfer of advanced technologies, and also to create awareness of the environmental aspects of industrial development. The Organization should make greater use of Indian training institutions in the area of human resource development. He congratulated the Director-General on the dynamic and imaginative programme of development and transfer of technology. UNIDO might usefully, in cooperation with other agencies, analyse the effects on the development and transfer of industrial technology of the new GATT/World Trade Organization system. Transfer of technology was a critical input in the industrialization of developing countries, and the Organization had a catalytic role to play in strengthening the bargaining position of those countries, and particularly the least developed countries, in their efforts to obtain technologies on fair and reasonable terms.

102. His delegation welcomed UNIDO's work in the area of industrial rehabilitation and re-structuring, including privatization. It should cooperate more closely with other organizations working in that area. The existing cooperation between UNIDO and the International Centre for Public Enterprises (ICPE) should be revitalized through a joint programme on industrial re-structuring, with emphasis on training of managers for restructuring. He suggested that the Organization should have further consultations with ICPE with a view to strengthening cooperation between the two organizations. Industrial restructuring and privatization had assumed added significance in view of the increased momentum towards restructuring and privatization in many developing countries and economies in transition.

103. Small and medium-scale industries were a vital sector for industrial growth in many developing countries. His delegation approved of UNIDO's aim of increasing the contribution of small and medium enterprises to the industriali-zation of developing countries. Greater attention should be paid to extending UNIDO's advisory functions in that field. India had a well-developed small and medium industries sector and would like to participate in UNIDO's work in that area. His country's expertise, technical know-how and equipment would be readily available. Small and medium industries in the rural and informal sector needed further support and encouragement. They assumed particular importance in view of the World Summit on Social Development to be held at Copenhagen in March 1995. UNIDO's role in the Summit should be to highlight the challenges and opportunities for a massive attack on poverty and deprivation through small and medium-scale industries. A presentation of appropriate technologies and industries should be prepared and widely exhibited, covering such human needs as safe drinking water, food and nutrition, low-cost housing, sanitation equipment and renewable energy resources. The emphasis should be on technology suitable for low-cost, local production that would general local employment and income.

104. The Organization's services in the area of environment, energy and sustainable development were of critical importance to his country and to many other Asian countries which had built up substantial industrial capacity but were faced with growing problems of environmental pollution and urban degradation. Those were areas in which market forces could not provide the answer and effective governmental intervention was required. His Government appreciated UNIDO's technical assistance in that area. The transfer of cleaner production technologies to developing countries in order to promote their capacity to develop those technologies themselves was of the utmost importance.

105. India was keenly interested in utilizing UNIDO's investment promotion services and in following up the Invesmart held in April 1994.

Having successfully organized two Techmarts and one Invesmart in collaboration with UNIDO, it was preparing for an India-Intechmart in March 1995, which would encompass both investment opportunities and technology transfer. His Government attached very high priority to investment promotion, particularly after the wide-ranging economic reforms in India, which had greatly improved the climate for foreign investment. Indian experience indicated an urgent need for strengthening UNIDO's investment promotion network and its capacity to disseminate investment project information rapidly and effectively to international business circles. The Organization might usefully develop appropriate linkages with the Trade Point business information system recently launched by UNCTAD. His delegation hoped that the field representation system ultimately evolved by UNIDO would strengthen its investment promotion capability.

106. The climate of economic and financial reform in India, its encouragement of private sector participation in major industries and the sharp rise in its industrial production led it to view UNIDO as an important partner not only for its own sustainable industrial growth and development but also for cooperation with other countries.

107. His Government was exploring the possibility of organizing a high-level expert group forum on industrial development in late 1995 at New Delhi in collaboration with UNIDO. The forum would deliberate on the emerging global industrial scenario in the first few decades of the next century.

The meeting rose at 6.05 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 9 November 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)
later: Mr. ARCILLA (Philippines)

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The meeting was called to order at 10.30 a.m.

PROGRESS REPORT FOR 1994 ON SPECIFIC UNIDO ACTIVITIES, IN PARTICULAR:

(a) HUMAN RESOURCE DEVELOPMENT

(b) DEVELOPMENT AND TRANSFER OF TECHNOLOGY

(c) INDUSTRIAL REHABILITATION AND MODERNIZATION

(d) SMALL- AND MEDIUM-SCALE INDUSTRIES

(e) ENVIRONMENT, ENERGY AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

(f) INDUSTRIAL INVESTMENT PROMOTION

(g) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT
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THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.13/13)

INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS (INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (continued) (IDB.12/2, chap. IV, paras. 26-40; IDB.13/15, IDB.13/16, IDB.13/30; IDB.13/CRP.3)

1. Mr. YIGEBRU (Ethiopia) said that the highest priority of every nation was the pursuit of a better standard of living and a higher quality of life for its people. In Africa, where most of the least developed countries were to be found, the efforts to achieve industrial development, which had been under way since the 1960s, were being eroded by internal and external, natural and man-made factors that had precipitated widespread economic difficulties. Industry, far from being the driving force of the economy, had become a burden consuming meagre foreign exchange resources and contributing to a growing external debt. Coupled with the downturn in the global economy and the decline in official development assistance, that situation had aggravated the structural weaknesses affecting African economies.

2. Ethiopia attached special importance to the development of industry and, following the demise of the former regime and the introduction of a lasting peace, had introduced a new economic policy geared to promotion of a market economy, limiting government participation to areas of strategic concern and encouraging the participation of private investment, both local and foreign.

3. In a world where the conditions of industrialization were continuously changing, UNIDO had to be able to adapt to new developments. Ethiopia was interested in new concepts and approaches relating to industrial development and would welcome a continuing process of re-examination and renewal.

4. Human resource and technological development in the industrial sector was a crucial area of activity for UNIDO; attention should be focused on the specific needs of developing countries at different levels of development and extrabudgetary funding from bilateral and multilateral sources should be sought for the purpose.

5. Although industry played a critical role in economic development and in improving the economic welfare of peoples, its contribution to the deterioration of the environment was causing considerable concern throughout the world. Despite the advances made towards environmental protection, much still remained to be done. For example, establishment of a pollution-free environment in Europe would be ineffective if at the same time pollution-intensive machinery continued to be sold to Africa.

6. Ethiopia was going to considerable lengths to improve its environment. In addition to the holding of seminars on the subject, a National Environmental Protection Authority had been established to draft environmental policies, implement them and monitor their results. It was to be hoped that the donor community would make a contribution to that effort. In fact, all industrialization programmes were conditional on receiving financial backing from various sources such as UNDP, bilateral donors and trust funds.

7. Ethiopia, one of the poorest of the LDCs, had made full payment of its contribution to UNIDO up to 1994, thus demonstrating its commitment to industrial development. It was hoped that that would be an example to other Member States in a better financial position. Economic and technical cooperation was one of the most appropriate forms of development strategy for developing countries. UNIDO's efforts to that end were laudable and it was urged to strengthen its activities in that regard.

8. Mr. ONSY (Egypt) said that the progress report (IDB.13/12 and Add.1) clearly demonstrated the will to implement the priorities and objectives laid down for the Organization. Since economic development was a cornerstone of sustainable and equitable social development, he welcomed UNIDO's participation in the World Summit on Social Development in 1995. UNIDO's fulfilment of its commitments during the period of organizational restructuring had been appreciated.

9. Egypt considered human resource development an indispensable component of the industrialization process and an important measure facilitating the transfer and assimilation of technology, marketing, investment and mobilization of resources. However, it hoped that UNIDO could provide a more specifically directed strategy in that field, covering direct support and guidance in various areas to training institutions. The development of human resources in all industrial subsectors was considered very important in Egypt, in particular in the engineering, electrical, electronic and chemical industries. Establishment of training centres to meet the needs of general and specialized industrial development was also necessary. His delegation urged UNIDO to increase its cooperation in that field with Egypt through projects funded by the Egyptian Social Fund.

10. He fully endorsed the proposals for reshaping and upgrading the environment programme, in particular with regard to the transfer of clean technology to small- and medium-scale industries. UNIDO's cooperation with the Montreal Fund should serve as an example for other areas of the Organization's activities since it demonstrated UNIDO's ability to mobilize non-traditional resources and to win the confidence of the international community.

11. Egypt accorded high priority to small- and medium-scale industry, which made a major contribution to industrial growth and the development of ancillary industry. The section of the report dealing with the small- and medium-scale industry programme should be given greater focus and coherence and provide a clear indication of the areas in which UNIDO was best placed to contribute.

12. Improved focus would also be welcome in programmes for the development and transfer of technology, in particular the development of a technological database - a vital tool for assisting developing countries in negotiations on transfer of technology, and in general in international industrial cooperation.

13. It was important that the short period remaining before the next General Conference session should be used to streamline the Organization's programmes and activities since that was the only way for it to maintain its competitive edge in the international community. Programmes had to be made more compact, and be broken down into clear objectives and specific activities that could be itemized in the budget and medium-term plan to allow evaluation and improvement from one programme cycle to another. However, the timely provision or increase of funding was needed, and consideration might be given to increasing the figure of six per cent earmarked for technical cooperation activities to allow more resources to be made available from the regular budget, as well as providing more stable funding for the UNIDO Country Director programme by financing part of it from the regular budget.

14. Mr. AL-ZEID (Saudi Arabia) said he had particularly appreciated the sections of the report dealing with human resource development, industrial rehabilitation and modernization, particularly with regard to small- and medium-scale industry, and environmental protection. Continuation of UNIDO's strategy for training nationals of developing countries, and increasing the transfer of technology to those countries, was essential to enable them to make the best use of local capabilities and skills while receiving assistance in restructuring their economies and rehabilitating their enterprises. In that way, integration of their industrialization programmes could be improved and their regional and global competitiveness enhanced.

15. Saudi Arabia attached considerable importance to UNIDO's efforts to achieve industrial development without damage to the environment; an area of particular interest was the development of drinking-water resources and of new and renewable sources of energy in order to tackle the problem of desertification.

16. The System of Consultations played a major part in helping developing countries to assess the problems they faced in industrial development. UNIDO could contribute significantly to accelerating industrialization in such States and strengthening cooperation among them. The conclusions and recommendations resulting from the 1993 Consultations were particularly pertinent. In order to achieve optimum results in the areas covered, UNIDO would need to provide technical cooperation within the framework of the programme of work in the context of the follow-up of consultations.

17. Saudi Arabia welcomed the fact that UNIDO would participate in the 1995 World Summit for Social Development, and agreed with the view that industrial development was a key element in economically and socially sustainable development.

18. Ms. BALOH-PLAHUTNIK (Observer for Slovenia) expressed appreciation of UNIDO's efforts to reform its structures and to provide programmes better tailored to the needs and expectations of its Member States. She welcomed in particular the emphasis on industrial rehabilitation and modernization and on accelerated human resource development, which Slovenia considered a key component in the transition processes under way in Central and Eastern Europe.

19. The Slovenian economy was expected to complete its transitional process by the end of 1996 with achievement of a market economy, restructuring of industry, privatization and industrial growth. The Slovenian Government was abandoning the policy of direct intervention in the economy and was implementing an industrial development policy as its main means of influencing industry and promoting modernization. The principal problem was not shortage of funds, equipment or technology but low management skills and a severe shortage of human resources. Emphasis was therefore being placed on the retraining of industrial managers and the provision of appropriate vocational training to all sectors of the workforce throughout industry, focusing in particular on managerial levels. A complex and efficient educational system had thus been created.

20. Slovenia was not alone in its experience; other countries in Central and Eastern Europe and other economies in transition also found lack of appropriate training a major stumbling block. It was therefore of the utmost importance that an institutional framework be created for the exchange of experience and knowledge and for the efficient use of available resources. In that sphere, UNIDO should strengthen its cooperation with other international organizations with a view to rationalizing training endeavours. Slovenia strongly commended the efforts made by various international organizations, in particular the International Center for Public Enterprises (ICPE), to strengthen and upgrade their existing partnerships with UNIDO.

21. Mr. Arcilla (Philippines) took the Chair.

22. Mr. KOSTENKO (Observer for Ukraine) said that definite, though somewhat modest, progress in UNIDO's activities was observable from the progress report (IDB.13/12 and Add.1). It was clear that the restructuring of the Organization and the considerable reduction in its financial resources would not permit any immediate major increase in the services offered. Nevertheless, he continued to hope that, when complete, the reform process would improve UNIDO's ability to respond actively and effectively to the needs of Member States.

23. Despite the difficulties of transition, Ukraine continued to make every effort to contribute to UNIDO programmes, in particular human resource development. In 1994, the Ukrainian Government had indicated its willingness to cover all national currency costs of a two-month seminar on electrical welding to be held at the Patok Institute, for specialists from developing

countries. The project was now at the implementation stage and the Ukrainian Government hoped that a long-term agreement might be concluded for use of the centre by UNIDO for training purposes and for the transfer of modern welding technologies on an ongoing basis.

24. With regard to the promotion of industrial investment in countries with transitional economies, Ukraine fully endorsed the measures to strengthen the UNIDO network of investment promotion units, whose effectiveness had been well demonstrated. Ukraine was currently engaged in negotiations with the Secretariat with a view to the opening in Kiev of a UNIDO office for promotion of industrial investment. Ukraine, like many other countries that had applied for such offices, agreed that the salary scales of specialists in such local offices should be brought into line with those in the national civil service. The expense incurred by States in running such offices would thus be considerably reduced and their establishment would be facilitated.

25. Mr. KONSTAS (Observer for Greece) asked for clarification of UNIDO's plans to promote a better environment and a cleaner industrial technology in the Mediterranean and Black Sea region.

26. He reaffirmed the Greek Government's strong and continuing interest in hosting the Centre for Clean Industrial Technologies in the Athens area. The relevant negotiations were almost complete, and it was hoped that the Centre could begin operation as early as 1995.

27. Mr. HOSSEINZADEH (Islamic Republic of Iran) said that the human resource development programme was of paramount importance. Provisions were required to expand training at all levels of industry and management, in particular to meet the needs of the developing countries. There was also a need for consistent coordination of human resource development in areas such as pure and applied science, research and development, and transfer and management of technology.

28. Unemployment and underemployment were major problems in the developing countries, and UNIDO's training programmes should be designed to foster flexible skills to enable trainees to adapt themselves to changing market conditions. Modular systems and more widely ranging and more accessible software should also be made available to trainees from developing countries. In cooperation with UNIDO, the Islamic Republic of Iran would be holding 17 training and retraining courses for technicians and specialists and in industrial investment. His country hoped it would be possible for it to hold more such courses in the context of in-service training in order to broaden the base of countries offering such training and to provide a more equitable geographical basis for acquiring such training.

29. With regard to the development and transfer of technology, it was important that all countries should have access to information on modern technologies and so gain a greater awareness of the advantages and possible disadvantages in their own context. Negotiating skills were very important in the context of transfer of technology contracts; UNIDO was therefore urged to hold further courses on the subject, simplifying the legal aspects, and to seek the assistance of the World Intellectual Property Organization (WIPO) to that end.

30. The assistance of both the public and private sectors was necessary to achieve industrial rehabilitation and modernization. In his country and the region at large, privatization and economic liberalization were in full swing. It would be useful for countries of the region to benefit from the experience of others: accordingly, his delegation proposed that UNIDO convene a privatization workshop in Tehran similar to the seminar held for the Central Asian republics and mentioned in paragraph 96 of document IDB.13/12.

31. In the first five-year development plan, his country had taken effective steps to achieve economic adjustment and the rehabilitation of war-damaged industries, and it was determined to modernize those industries speedily under the second plan. UNIDO should devote special attention to the rehabilitation and modernization of industry, especially in war-torn countries. His delegation welcomed the rehabilitation programme for Sarajevo described in document IDB.13/27, paragraph 51.

32. Small- and medium-scale industry constituted the backbone of industrial development in the developing countries. Small-scale industry was of particular importance for the developing countries because it was economical, simple and generated employment. Unfortunately, small-scale industries in the developing countries had no subcontracting exchange that would give them information about each other's capabilities and enable them to produce parts and products for large-scale industries. Small-scale industries also faced difficulties in terms of financing and product export. The international financing agencies should furnish assistance so that the products of small-scale industries could be made competitive in international markets. It was gratifying to note that an independent branch within UNIDO was to be devoted to small- and medium-scale industry.

33. Environmental pollution had become one of the main concerns today, not just for the developing countries but also for those that were technologically advanced. The issue was of paramount importance in the Asian region and particularly in his country, which made use of UNIDO's experience in implementing environmental projects and developing clean technologies. His country welcomed UNIDO's involvement in such activities and applauded its selection as one of the four agencies involved in implementing the Montreal Protocol. His country had always supported the use of new and clean technologies in achieving sustainable industrial development. It was involved in efforts to decontaminate the Caspian Sea and the Persian Gulf in the context of development of marine industries in cooperation with the Persian Gulf States.

34. The establishment of the World Investment Network Service linking Industrial Promotion Service offices was a step towards sound investment in the developing countries. One of his country's priorities during its second five-year development plan was promotion of domestic and foreign investment. Under a newly formulated investment law, many facilities would be provided to support investment, particularly in terms of repatriation of principal and profits and investment guarantees.

35. In conclusion, his delegation urged the Director-General to implement vigorously the follow-up action outlined in the annex to document IDB.13/15.

36. Mr. WEJTKO (Poland) said that Poland attached particular importance to human resources development and strongly supported UNIDO's industrial investment promotion activities. Much of Poland's voluntary contribution to IDF went to two UNIDO programmes being implemented in the country: the Investment Promotion Service office and the training course on project preparation, financing and appraisal. The first such course had been organized 14 years ago, and in 1994 participants from Central and Eastern Europe had taken part for the second time. The activities of UNIDO's office in Warsaw were very valuable: the experience gained could be shared with other countries of the region. The Polish Government was doing its utmost to secure the necessary resources to continue that form of cooperation with UNIDO and hoped to conclude very soon its discussions with the Secretariat on the organizational and financing arrangements best suited to its specific conditions. His delegation welcomed the realistic and flexible approach applied by UNIDO to some of the related problems, including personnel arrangements and programme funding.

37. Turning to some of the topics raised in document IDB.13/12/Add.1, he said that the strengthening of the IPS network by the addition of 16 countries was very encouraging: all the countries involved would certainly benefit from that expansion. He strongly supported the idea that UNIDO must be flexible so as to meet the requirements of each host country. That was particularly important when private companies and banks were involved in the co-financing of a UNIDO office. If the private sector was willing to pay for the services provided by the office, that clearly attested to the effectiveness and efficiency of the IPS and could eventually result in reduction of the budgetary input by the host Government. His delegation agreed that the IPS network's objectives and functions must be compatible with UNIDO's mandate and Constitution. It would, however, encourage the Secretariat to adapt the relevant regulations so as to provide financial flexibility for the office. The desirability of the local budget's not being overburdened with overhead costs should also be taken into account.

38. Poland supported the idea of having a draft standard agreement of open-ended duration and a three-year project budget. The scale of salary and rules for recruitment for the head of the office and other staff should be the subject of individual agreements between UNIDO and the host Government. The possibility of applying the UNDP National Officer salary scale should be taken into account. He requested clarification concerning the possibility of "programme funding" to complement host Government contributions mentioned in paragraph 7 of document IDB.13/12/Add.1.

39. Poland attached great importance to UNIDO's activities in the area of industrial rehabilitation and modernization. Such assistance was needed both in developing countries and in countries with economies in transition. UNIDO's approach permitted very flexible reactions, taking into account the specific conditions of individual countries.

40. Mr. HOBEICA (Observer for Lebanon), referring to document IDB.13/12, said his delegation particularly appreciated the section on human resource development, which underlined the need for cooperation with Governments, the private sector, associations of industrialists/ entrepreneurs, chambers of commerce and international organizations. It was true that there was an increasing tendency to focus on cooperation with manufacturers' associations as a productive way of engaging in technical cooperation. Local training centres should be enhanced and the best use made of existing training institutions in developing countries.

41. His country had recently emerged from a war and was actively involved in reconstruction and development. Training in the use of construction materials was particularly important to ensure quality and productivity, and his delegation hoped to benefit from UNIDO projects in that area. The transfer of technology through the BOT (build-operate-transfer) model was a good way of accelerating the development of infrastructure projects. His delegation welcomed UNIDO's emphasis on that approach and hoped to become involved in such activities for its major rehabilitation projects in such areas as transportation, highway construction, electricity and water management. Lebanon also attached great importance to the transfer of clean technology in accordance with the Montreal Protocol. He thanked the Secretariat for responding to his country's request for assistance in that area.

42. Mr. ARIZAGA (Ecuador) said his delegation welcomed UNIDO's determination to improve its cooperation with a number of United Nations agencies and thereby to avoid duplication of efforts. Effective cooperation with UNDP was especially important in view of that body's significant contributions to UNIDO. If those contributions were diminished, UNIDO's work would be seriously affected. The UNIDO Country Director programme must not be jeopardized, however, since mobilization in the field was absolutely indispensable.

43. Ecuador was keenly interested in environmental issues: it had set up a commission to develop an environmental conservation policy, and that would, naturally, have an impact on industrial processes. His Government believed that the transfer of clean technology should be expanded through the use of most-favoured nation treatment. UNIDO must make consistent efforts to disseminate information on environmental risks and enhance in-house analytical capacity in the field of environment and energy.

44. Investment promotion was of strategic importance for developing countries, including Ecuador. The efficacy, efficiency and scope of such activities should therefore be increased. The measures proposed to strengthen the network of Investment Promotion Service offices would be productive and would also promote decentralization of the Organization.

45. Ecuador's external debt had recently been restructured, and bilateral negotiations with members of the Paris Club were in their final stages. Debt servicing nevertheless remained a source of concern for the immediate future and in the medium term. His delegation supported the Director-General's efforts to increase the financial contributions to IDF for the purpose of reviving and enhancing the industrial competitiveness of highly indebted developing countries. In view of the fact that a portion of the financial resources of developing countries

was devoted to debt servicing, international organizations such as UNIDO should contribute funds for industrial development in such countries.

46. Mr. OWIREDU (Ghana) said that if UNIDO was to promote sustainable industrialization world-wide as a means of eradicating poverty, particularly in the least developed countries, the changes being made in the Organization were a step in the right direction. But patience, cooperation and understanding on the part of Member States was required in order to achieve such progress. All the factors inhibiting UNIDO's efforts must be identified and the cooperation of the organizations and agencies concerned sought before any progress could be made on such issues as modifying the terms of international trade, which prevented the developing countries from making savings and investments. The results of the Uruguay Round would only exacerbate such problems for developing countries, particularly those that produced raw materials.

47. His country had received support from UNIDO in a number of areas, including: strengthening of industrial planning; use of locally produced sorghum in the beer and malt industries; feasibility analysis for the activities of the national investment bank; a pre-investment study for the fish industries; advisory assistance for the reorganization of the Ministry of Trade and Industry; development of small-scale and medium-scale industries; and assessment of the potential for medicinal plant processing. Requests for assistance were still being considered in respect of projects in the textile and garment industry, agro-industry, engineering and training facilities for small- and medium-scale industries and computer hardware maintenance and software engineering services. The net effect of the various forms of assistance was expected to help Ghana develop an industrial sector that was internationally competitive and export-oriented and created jobs. Ghana looked forward to improved cooperation with UNIDO in the industrialization of all developing countries so that progress would be made by the year 2000.

48. Mr. RIANOM (Observer for Indonesia) noted that there was a growing need for qualified industrial manpower in developing countries. Indonesia supported UNIDO's intention to link the development of human resources for industry with the transfer of technology and the enhancement of managerial capability and capacity. Greater attention should be paid to manpower development and employment in all of UNIDO's technical assistance programmes and projects.

49. The establishment within UNIDO of a branch to deal with small- and medium-scale enterprises would further the aspirations of developing countries in that area. Indonesia supported UNIDO's cooperation with bilateral and multilateral donors through research and joint projects to facilitate the exchange of experience and the complementarity of support services. Such activities should be further developed.

50. His delegation welcomed the progress made in promoting industrial investment in developing countries. The dissemination of information on the investment climate and opportunities for developing countries in the industrial and financial sectors of other countries should continue to be provided through IPS offices. His Government welcomed the establishment of the World Investment Network Service (WINS), which would certainly help developing countries to finance and promote their industrial programmes.

51. His Government pledged its support to the Director-General in furthering industrial development cooperation among Member States, especially with a view to enhancing technical and economic cooperation among developing countries. Technology was a crucial factor in boosting economic growth and speeding the development process. But it was not easy for developing countries to acquire or adapt technologies for their industries. Indonesia's experience with technical cooperation among developing countries had shown that it was a valuable way of increasing the flow of technology. The main responsibility for such activities lay with the developing countries themselves, but continuing support from donor countries and United Nations bodies was still required. Such activities would be even more effective if backed up by appropriate information on the technological needs and capabilities of Member States. His delegation urged UNIDO to promote the dissemination of such information.

52. The Director-General had referred in his opening statement to the time needed to implement the reforms decided upon at the General Conference session at Yaoundé. His delegation hoped that that process would not distract the Organization from its development objectives.

53. MR. AKAO (Japan) said that the new opportunities for fund raising referred to by Ms. Tcheknavorian-Asenbauer in her introductory statement constituted one way of at least partially overcoming UNIDO's financial problems. Of course, full and timely payment of assessed contributions was the key issue, together with a steady increase in voluntary contributions, but he strongly supported the idea of seeking funds through other channels, both multilateral and bilateral, especially in the field of the environment, at a time when UNDP financing was declining. Reference had been made in that context to UNIDO's increased activities under the Multilateral Fund set up by the Montreal Protocol, which had already entered a second three-year phase with total resources of $500 million. In that connection he pointed out that while the developed countries were committed to phasing out CFC gases by 1995, the developing countries had a 10-year grace period and would need substantial assistance from the Multilateral Fund.

54. Another area related to the use of the Global Environment Facility (GEF), also in its second three-year phase. It covered not only global warming but other areas too, and he welcomed the fact that UNIDO had been included among its executing agencies. Under Agenda 21, UNIDO clearly could not be involved in all its aspects, but should participate in activities relating to the phasing out of CFC gases, global warming, pollution prevention, energy saving and chemical wastes.

55. Depending on how well it managed to seize those new opportunities, he believed that there were no grounds for pessimism about UNIDO's future.

56. Mr. PIRKMAJER (International Center for Public Enterprises) said that the ICPE, which had 42 member countries and 50 affiliated members, had been established 20 years ago to carry out research, consultancy and training activities in the field of public enterprises. Subsequently its core interests had become management development, industrial restructuring, rehabilitation and privatization. As a result, its Assembly had decided in September 1994 that a change of name should be considered.

57. ICPE's present activities reflected the overlapping interests and needs of its member countries and funding agencies, which included Governments and institutions such as Austria, Canada, the Netherlands, Sweden, the Commonwealth Secretariat, UNDP, the World Bank, the European Bank for Reconstruction and Development, ILO and various individual sponsors. ICPE was a UNDP executing agency, had observer status in the Economic and Social Council and cooperation agreements with several international organizations. It had organized conferences and other activities at its headquarters and elsewhere. Its major current project was a one-year residential course for managers and policy makers focusing on contemporary management techniques, marketing, privatization and industrial restructuring. Its training activities were referred to in paragraph 95 of document IDB.13/12.

58. A resolution adopted by the ICPE Assembly called for closer integration of the Center's activities with similar efforts of the world community in the field of industrial restructuring. A proposal had also been made for more formalized cooperation with UNIDO that would not involve direct financial implications for either body. The ICPE secretariat considered that proposal most timely, since the developing countries and economies in transition were at present undertaking major economic reforms. ICPE, which was itself undergoing an internal restructuring process, looked forward to exploring with UNIDO how best they could work together for the benefit of their members.

59. Mr. DE MARIA Y CAMPOS (Director-General), offering some general comments, noted with satisfaction that the debate had indicated that throughout the complicated restructuring process UNIDO had steadily continued its regular programme of work, which was a considerable feat. Furthermore, it had emerged that with the resources at present available the task of priority setting had already begun. Progress had been made in all divisions of the Secretariat, especially those responsible for technical cooperation, in the following areas: the focusing of activities and establishment of priorities; the review of working methods to improve efficiency, cost-effectiveness and the quality of services; and the build-up of a pipeline of activities calling for a considerable effort of programming and project formulation in future months to ensure that operational income went up. In that respect he drew attention to a substantial increase in the number of approvals; in 1993 UNIDO had reached the bottom of the curve and he was pleased to point out that approvals in 1994 were already higher than in 1992.

60. A thorough review of institutional mechanisms had been conducted in all areas. For example, an effort had been made to render the investment promotion network both more effective and more uniform in the services it supplied. In addition, new mechanisms had been established, such as the network of cleaner production centres, which both the developing countries and economies in transition viewed with great interest, while the donor countries also seemed ready to offer their support.

61. The Secretariat had realized that there was a need to inform the Board more fully about the activities that had been carried out. The representative of Germany, for example, speaking on behalf of the European Union, had suggested that the presentation of data could be improved by including evaluation and quantitative elements in the documentation. While he was ready to provide such information in future, he pointed out that it was not always easy to cover different areas in a single document. Nevertheless, everything possible would be done to meet that request.

62. Virtually all speakers had expressed keen interest in human resource development, which UNIDO knew to be an area of vital concern to developing countries, economies in transition and developed countries alike. Accordingly, the subject had been included among the Organization's priority activities. In that context he recalled the International Conference on Human Resources Development held in Sweden in June 1994, whose findings were helping to produce a more focused programme of activities better geared to the needs of the developing countries.

63. Several representatives had commented on South-South cooperation, to which particular importance attached at a time of dwindling resources and reduced contributions to development assistance. The greatest possible support would be given to such activities. Current programmes would be reviewed with a view to presenting not only a general strategy, but concrete activities for both South-South cooperation and cooperation between the developing countries and economies in transition.

64. Finally, UNIDO was ready to strengthen its long-standing cooperation with ICPE, leading to a joint programme that would be of benefit to all Member States.

65. Ms. TCHEKNAVORIAN-ASENBAUER (Managing Director, Industrial Sectors and Environment Division) thanked representatives for their positive comments which would help the Secretariat to further improve the environment and energy programme by focusing it more precisely on the requirements of clients. She had been gratified to hear from the representative of Germany, speaking on behalf of the European Union, that the programme was on the right track. Generally speaking, all Member States had confirmed the importance of the programme, recognizing that the environmental dimension had to be integrated in all UNIDO's activities, such as small- and medium-scale industries, human resource development, investment, industrial policies and strategies and so on, in order to ensure their sustainability.

66. Replying to specific questions, she confirmed that the Turkish project under the Montreal Protocol would be submitted for final approval in December. The Egyptian programme for phasing out CFC gases was the first and largest project so far launched under the Montreal Protocol - an achievement of which both UNIDO and the Egyptian

Government could be proud. A further $7 million programme would be presented for approval in December. In reply to a question raised by the representative of Greece, she pointed out that in the project area of clean technologies UNIDO had been attempting to create national capacities and centres in the developing countries, but had concluded that it was neither financially nor technically possible to establish such national centres in the countries surrounding the Mediterranean and the Black Sea. Indeed, many of them were fully competent in that field themselves. Instead, it had been decided to rely on networking for the exchange of information and the provision of training. The Mediterranean and Black Sea project was now reaching its final stages with missions carried out to two groups of countries, namely Egypt, Albania and Bulgaria, and Turkey, Cyprus, Morocco and Romania. A report had now been finalized, recommending the creation of two sub-regional centres, one in Greece for the Mediterranean and the other in Romania for the Black Sea. She wished to thank the Greek Government for offering to host one of the centres and to make a generous contribution to its financing. An expert meeting was planned for the final approval of the two centres.

67. Finally, she fully agreed with the comments made by the representative of Japan regarding the opportunities opening up for UNIDO under such new funding arrangements as GEF and the Montreal Protocol. It had recently been decided to open the resources of GEF to all United Nations organizations, which could become implementing agencies. The Secretariat would shortly be holding discussions with UNDP and the World Bank concerning a new GEF programme in the area of water cleaning and management at a cost of $6 million. UNIDO was also working on fund mobilization under Agenda 21 and had obtained additional financing for Member States in the area of industrial project formulation. Under the Montreal Protocol, UNIDO had an opportunity to assist the global community over the next ten years in implementing its provisions. A target ceiling of $100 million had been set for 1995, of which $70 million were expected to be approved by the end of December 1994. In that connection, she pointed out that UNIDO had demonstrated its competence in the matter through the various activities it was carrying out at enterprise level.

68. Ms. KING-AKERELE (Managing Director, Country Strategy and Programme Development Division) expressed appreciation of all the supportive comments made on UNIDO's programme for the integration of women in industrial development. Regarding the point that the Organization should not forget activities specifically aimed at women in addition to the mainstream activities, that approach was fully reflected in the programme of work, and she drew attention specifically to document IDB.13/12, paragraphs 183 and 189-193. Projects would continue to be identified and designed to target the specific needs of women; projects of that kind remained the bulk of those being promoted by the relevant unit. With regard to the successful completion of the first part of the training programme to promote women's participation in the modernization of China, she said that the project was being financed by Germany and that continuation of the training activities would form the basis of phase 2 of the project. A project document had recently been discussed with the German finance authorities and there had been a very positive reaction from them.

69. Mr. PIŞKOUNOV (Managing Director, Human Resource, Enterprise and Private Sector Development Division) said that, following the Director-General's detailed comments on the conclusions and recommendations of the in-depth evaluation of the human resource development programme conducted two years previously, it only remained for him to express his great appreciation of the observations of delegations, which would certainly help improve the activity of his Division generally and of its human resource development strategy and programme in particular.

70. Mr. VENKATARAMAN (Managing Director, Investment and Technology Promotion Division) said he would not go into great detail, having asked his colleagues to contact individual delegations that had sought specific clarification. The debate had been very useful.

71. Referring first to item 4 (b) on the development and transfer of technology, and to the request for more information on Techmarts, he said that a very successful Techmart had recently taken place in Viet Nam with 250 foreign participants. A similar event in India in 1993 had led to the signing of 47 memoranda of understanding, including joint venture agreements. That had been achieved by publicizing as many as 1,700 technology offers in response to 700 technology requests from enterprises all over the world. There would clearly be demand from more countries for the holding of such Techmarts.

72. With regard to item 4 (f) on industrial investment promotion, he said many suggestions had been made to increase and intensify UNIDO's activities in that field. There had been one suggestion, however, that UNIDO should confine itself to investment activities arising from other UNIDO activities. In his view, that would be to miss the very essence of industrialization and the current internationalization of production, which process, coupled with increasing investment, was the current reality. If anything, he added, activities in that respect should be intensified. Every effort was being made to maintain high standards of quality so as to provide the most appropriate services to developing countries.

73. Welcoming the suggestion that UNIDO should cooperate with other organizations, he observed that the Director-General had made it clear that cooperation was needed in regard to both investment and technology; a memorandum of understanding had indeed been recently signed with UNESCO on cooperation in science and technology. While the Investment Promotion Service clearly did not intend to engage in such matters as investment promotion in mining or tourism, it definitely wished to be in the picture so far as industrial development was concerned. Regarding the mention made of cooperation with UNCTAD, it was surprising that UNIDO should be suddenly criticized for duplication in regard to something that it had been doing for 25 years. The Secretariat would welcome an opportunity to present its points of view to delegations at an informal briefing.

74. In general, he wished to highlight UNIDO's competitive advantage in regard to industrial investment. It indeed possessed a well-recognized methodological edge in regard to tools for pre-investment and feasibility studies. UNIDO

also had a strong IPF network in developed countries and now increasingly in developing countries too, coupled with expertise in many industrial sectors and the capacity to conduct training programmes in such matters as technology acquisition, feasibility studies and project preparation.

75. With regard to investment and IPS offices, particularly in developing countries and economies in transition, several representatives had suggested that UNIDO should proceed with the proposals and steps outlined in document IDB.13/12/Add.1. The sooner they were implemented, the easier it would be for interested countries to benefit from UNIDO activities and also from the network.

76. With regard to the danger of undue standardizing of IPS activities, UNIDO recognized the need for country variations in the activities of IPS offices, but at the same time a degree of uniformity and compatibility was required for the sake of information exchange, quality control and reporting, as well as integration with other UNIDO activities.

77. Regarding the request for clarification on programme funding in regard to IPS offices, that was one of the ideas being explored. The aim was to persuade donor countries that all UNIDO activities in investment promotion really helped the flow of investment from those countries, which might consequently allocate funds for strengthening the investment promotion network and aiding project completion and feasibility studies. Meanwhile, in the special-purpose contributions made by donor countries, they might give consideration to funding such activities.

78. With regard to consultations and the need to ensure value for money, he said that an effort was being made both to cut spending and to increase the benefit of consultations. The consultation process was no longer functioning in isolation. Account had been taken of the results of the evaluation carried out, and an attempt was being made to select one or two focused themes in the selected sectors rather than covering them in their entirety. The intention was also to give more attention to some new areas such as telecommunications and the automotive industry. Consultations had in the past led to the development of model contracts, the establishment of advisory panels, and the focus on mini-plants, for example. They represented the only international forum for providing sectoral perspectives in various individual sectors, and for focusing on the constraints faced by the developing countries. Note had been taken of the suggestion made that greater importance should be attached to following up the consultations, particularly those conducted recently.

79. With regard to ECDC/TCDC, the Director-General had already explained the great importance he attached to the matter, which had not been covered very fully in the documentation before the Board simply because it had been dealt with in document IDB.12/3 submitted at the twelfth session. On the whole, however, UNIDO's work in that field was expanding and tied in with many other activities such as the networks on biotechnology, electronics and capital goods in Latin America and the pesticides programme in Asia. The Organization would like to provide a more programmatic focus on ECDC in the coming months and make it a more vital instrument in the activities of UNIDO.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

(b) FINANCIAL SITUATION OF UNIDO

(c) MEDIUM-TERM PLAN, 1996-2001 (INCLUDING IMPLEMENTATION OF RESOLUTION GC.5/Res.1)

(d) UNIDO-ADMINISTERED FUNDS

(i) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING

(ii) INDUSTRIAL DEVELOPMENT FUND

(iii) IN-DEPTH EVALUATION OF SPECIAL TRUST FUND PROJECTS

(e) UNIDO COUNTRY DIRECTOR PROGRAMME

(f) ACCOUNTING STANDARDS

(g) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB.13/CRP.6)

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (IDB.13/25 and Add.1, IDB.13/31; IDB.13/CRP.5)

80. Mr. VAN RAALTE (Managing Director, Division of Administration), referring to the report of the Secretariat on the implementation of the External Auditor's recommendations (IDB.13/21), said that a committee had been established, as promised by the Director-General, to follow up and monitor those recommendations. The document contained a detailed description of action taken during the summer by the Secretariat. In general, the comments of the External Auditor for improving administrative procedures had been much appreciated and the report had been used as a management tool.

81. Turning to the financial situation of UNIDO, as presented in documents IDB.13/22 and IDB.13/CRP.4, he said the regular budget was stable and the outlook for the rest of 1994-1995 relatively positive, which had enabled the Secretariat to move ahead with the financial implementation of the programme of work. It would be premature, however, to consider that UNIDO's financial problems were over, since non-payment and irregular payments of Member States' assessed contributions had in the past diminished cash availability and impaired systematic implementation of the work programme. It was to be hoped that such situations would in future be avoided through more regular payments of assessed contributions.

82. UNIDO's lack of leeway was demonstrated by the fact that the cash balance at the end of October 1994 was $12.6 million, representing slightly more than one month's expenditures as against the two and a half months consistent with prudent financial planning. A sizeable payment of assessed contributions was expected soon, however, and should improve the cash situation. In addition, the collection rate had improved slightly for the period up to October as compared with the same period in 1993.

83. Document IDB.13/22 explained the budgetary surplus expected in 1994-1995, mainly arising from higher-than-budgeted vacancy factors. Savings were also achieved on non-staff costs, such as communications and travel. The document also described measures to be taken to achieve full utilization of those resources by providing allocations to priority programmes and activities already discussed by the Director-General and mentioned by several delegations.

84. The situation in the operational budget was less positive; the income level was lower than previously estimated while expenditure was up owing to the decline in the value of the United States dollar. The reduction in the United Nations rate of exchange had led to cost increases of approximately $700,000. The Secretariat intended to continue reducing operational budget expenditures by accelerating the transfer of operational budget staff to vacant regular budget posts, as proposed in document PBC.10/10 and endorsed in the Programme and Budget Committee's conclusion 94/9.

85. With regard to UNIDO's plans to replace its telephone system (see document IDB.13/22/Add.1), he said that the existing system, dating back to 1979, had become unreliable and in any case unable to cope with current volume and accountability requirements. The PBC had urged UNIDO to discuss possible financing with the Austrian Government; IAEA had also held discussions with the Austrian Government for the same purpose. They had been unavailing, however, and UNIDO had learned that there was no realistic prospect of obtaining financing for the new telephone system from the host Government.

86. UNIDO therefore now wished to explore various options jointly with IAEA and UNOV. Owing to economies achieved in general operating costs, funds had become available to participate in the procurement of UNIDO's part of a new telephone system. Since, however, the funding for the telephone system derived from economies in one major object of expenditure while the funds were needed in another, the Board's approval was being sought, under Article 9, paragraph 4 (a), of the Constitution, for redeployment of $1.0 million from general operating expenses to acquisition of equipment and furniture. That would avoid having to postpone a decision until the next General Conference session, when it might be too late to allow UNIDO to benefit from a joint approach with IAEA and UNOV.

87. Document IDB.13/28, responding to a request by the PBC for a review of the scope and content of the operational budget and its relationship to the regular budget, was a fairly technical document basically describing categorization of support costs and the impact on the regular budget of supporting technical cooperation projects. The document also indicated action being taken by the Secretariat to improve cost-efficiency and achieve a more rational allocation of operational budget resources to programmes supporting technical cooperation activities.

88. With regard to accounting standards, he observed that the standards recommended by the United Nations General Assembly had been used by UNIDO in the preparation of its last biennium reports.

89. On the subject of the computerization programme under item 5 (g), he explained that document IDB.13/20 described action taken on the Touche Ross recommendations. UNIDO had gone beyond those recommendations by establishing two committees to support the use of information technology: one on policy and strategic issues and the other on technical matters. Both were helping management to focus on immediate needs and future priorities for UNIDO's rather limited resources. Electronic mail and use of the Internet network were also being introduced to improve communications in the house and with UCDs and field offices. That would result in improved synergy and communication among staff and more effective team building, as well as substantial savings in paper, fax, telex and telephone costs. Member States would also be able to access UNIDO's databases faster and better; and UNIDO itself would be able to access external databases and all the industrial and technological information they offered. In preparation for those initiatives, UNIDO was planning a series of briefings on information-related topics and the necessary training for both management and staff, and on the potential and use of those technologies.

90. Turning to the subject of home leave entitlement under item 13, he recalled decision IDB.12/Dec.4 and drew attention to document IDB.13/25, containing a proposal by the Philippines. The conference room paper on home leave (IDB.13/CRP.5) represented the initial results of the review requested of the Secretariat, examining UNIDO's arrangements and those of other common system organizations. The comparison showed UNIDO to be one of the most cost-effective organizations in its home leave arrangements. UNIDO's lump-sum arrangement for home leave travel during the first half of 1994 had achieved significant savings and dispelled claims of exaggerated "windfall gains" by the staff.

91. The issues involved were complex; six considerations needing to be taken into account in a study on the lump-sum option were: the savings to UNIDO; the need for an incentive to staff to use the option; administrative simplicity; the practice of other agencies in the system, especially in Vienna; differences in the travel market; and the entitlement of staff under the common system. Such issues did not lend themselves to detailed solution by Board resolutions and should instead remain the responsibility of the Director-General, as provided for in the Constitution and the Staff Regulations.

92. The issue of home leave had also been discussed at the IAEA Board of Governors, which had welcomed the intention to make use of the established consultative process in considering the matter further. It was hoped that the Board would adopt a similar approach and so facilitate close coordination with IAEA and, to the extent possible, with UNOV, and that new measures resulting from the studies could be introduced by 1 January 1995, to be reported to the next PBC and Board meetings.

The meeting rose at 1.10 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 9 November 1994, at 3 p.m.

President: Mr. ARCILLA (Philippines)
later: Mr. WEJTKO (Poland)
later: Mr. EL HUSSEIN (Sudan)

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(g) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB.13/CRP.6)

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (continued) (IDB.13/25 and Add.1, IDB.13/31; IDB.13/CRP.5)

1. Mr. DEROY (Managing Director, Mobilization and Management of Financial Resources Division) introduced agenda item 5 (d), UNIDO-administered funds. The Director-General's Bulletins UNIDO/DG/B.177 and UNIDO/DG/B.178 contained the guidelines and procedures governing acceptance and funding under special trust funds, the Industrial Development Fund and the regular budget. The procedures took account of the requirements of all kinds of funds used in UNIDO's technical cooperation activities. They would be reviewed after they had been in force for one year and had already proved their worth in their first six months of operation.

2. Contributions to the Industrial Development Fund and special trust funds should reach some $30 million in 1994, with various other approvals taken into account, in particular under the Montreal Protocol, the level of approvals for the first nine months of 1994 was over 30 per cent higher than in the same period for the previous year. The extrabudgetary resources in question would be more useful if they could be used more flexibly and if they were more foreseeable. Since the beginning of 1994, the Secretariat had taken every possible opportunity to secure additional resources for the Organization. At the present session, India had announced a contribution of $1 million for 1995, with an 80 per cent increase in the convertible currency portion, and Thailand had announced a contribution of $23,500.

3. The proportion, by number of projects, of special trust fund projects to the aggregate of UNIDO's technical cooperation projects had increased to 35 per cent in 1994. Expenditure under projects financed from special trust funds had risen from $9 million in 1986 to $30 million in 1993. The evaluation of special trust fund projects had not revealed any particular criterion for assigning a project to a special trust fund rather than to the Industrial Development Fund, although special trust fund projects had sometimes proved more flexible in design and implementation. The Associate Expert programme had proved satisfactory to donors and beneficiaries. It would be useful to study the possibility of standardizing the terms of employment of Associate Experts.

4. Mr. MUEGGE (Director, Strategic Planning Office), introducing agenda item 5 (c), Medium-term plan, 1996-2001, said that, in the revised draft medium-term plan (IDB.13/19), descriptive and analytical material had been reduced significantly and a new section added on linkages between the services envisaged in the plan and the involvement of UNIDO's different programmes in those services. The Secretariat's proposal to reduce the coverage of the medium-term plan to four years had proved to be in line with United Nations thinking, as borne out by a proposal of the Secretary-General to that effect in document A/49/301.

5. Turning to agenda item 5 (e), UNIDO Country Director programme, he said that the Secretariat's work on the Organization's future field representation programme was described in the Director-General's progress report on UNIDO's policy and structure (IDB.13/27). In that work the Secretariat was addressing the need to adapt the functions of field offices to the Organization's future activities, for example by giving greater emphasis to substantive activities and direct information services to host countries. Areas such as technological and investment information, contact-creating services, including economic and technical cooperation among developing countries (ECDC/TCDC) and special industrial policy advice were likely to receive increasing attention. The Secretariat was also exploring the question of coordination between the Organization's field offices and the system of overall United Nations field representation and decentralized programmes, as well as coordination between those offices and UNIDO's headquarters activities. In the latter case, coordination would certainly need to be strengthened. Finally, the Secretariat was examining the costs and required resources, both financial and human, for strengthening the Organization's ability to operate the new field office programme, with particular reference to the minimum scale and staff composition of field offices, the possible range of national contributions and the potential for grouping services into fewer but larger offices in developing countries. The Secretariat was endeavouring to safeguard the work of its 43 existing field offices, as well as its Junior Professional Officers assigned to UNIDO and UNDP offices, throughout the present biennium. With the expected discontinuance of sectoral support from UNDP after 1996, a permanent solution would have to be found for securing the Organization's presence and service in an optimum number of developing countries.

6. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, dealt first with item 5 (a), Report of the External Auditor. He expressed gratitude to the External Auditor from Belgium for the thorough work he had done over the past eight years and welcomed the new External Auditor to Vienna. He thanked the Director-General for his report on the implementation of the External Auditor's recommendations and trusted that the Secretariat would comply with them fully. With regard to commitments approved for future fiscal periods, he welcomed the development of a system that would ensure the recording of commitments for future bienniums. He hoped that the long overdue publication of UNIDO's financial manual and the manual on policies, procedures and rules governing the activities of purchase and contract units would ensure the transparency required in that important sector. He welcomed the Organization's efforts to ensure financial completion of projects within 12 months after their operational completion.

7. He would like to receive fuller information on the outcome of steps undertaken by UNIDO to respond to the request for a more flexible personnel policy as well as on the level of representation of women at the senior level. He particularly welcomed the Director-General's intention to review personnel procedures and develop a methodology for assigning staff according to workload, and he looked forward to receiving information on the application of that methodology, which was urgently needed. He believed that staffing requirements should be based on measured workloads only and that staffing review procedures should be established. He would greatly like to hear the Director-General's views

on the feasibility of establishing an independent staff inspection function once the evaluation of that subject was completed.

8. Turning to item 5 (b), Financial situation of UNIDO, he said he had been pleased to learn of the improved situation of UNIDO's regular budget. He nevertheless continued to note with concern significant arrears of assessed contributions to the regular budget. He would urge the Member States concerned to pay their outstanding contributions in full and on time. He regretted that the situation of the operational budget had not improved and he welcomed the intention of the Director-General to balance the operational budget and reduce expenditure. He hoped the Director-General would explore ways of drawing from the regular budget for technical cooperation activities and looked forward to discussing his proposals on the subject at the next session of the Programme and Budget Committee. He fully supported of the three priority programmes and activities indicated by the Director-General in his report and requested the Director-General to report on progress achieved in that respect.

9. With regard to item 5 (c), Medium term-plan, 1996-2001, he thought the draft medium-term plan, still showed no sign of convincing progress towards a greater focus and clearer statement of priorities for UNIDO's activities. The Organization must justify its services by meeting gaps in the present array of bilateral and multilateral actors in the field of development cooperation, including the United Nations Office for Project Services. In implementing the medium-term plan, the Secretariat must ensure its absolute consistency with the reform process. UNIDO should adhere more closely to the guiding principle that its work should be designed to promote equitable and social development. Although its intended services in that area were impressively spelt out in the revised draft plan, all too often the Organization's activities still appeared to be concentrated on the well-established, medium- to large-scale subsectors such as study tours and software development.

10. In its next medium-term programme framework, UNIDO should comply more convincingly with Member States' requests for its activities to be far more precisely focused. With regard to the chapter on UNIDO's intention of improving the position of women workers, "mainstreaming", i.e. the inclusion of gender aspects in programmes where relevant, seemed to be a valuable idea, but its content should be made more specific.

11. Turning to item 5 (d), UNIDO-administered funds, he said the preliminary findings of the in-depth evaluation of special trust fund projects had sharpened interest in conducting a more thorough analysis of the evaluation report in its entirety. He therefore proposed that UNIDO should invite interested Member States to a briefing on the evaluation exercise early in 1995 with a view to further consideration of the matter, ultimately at a session of the Board.

12. He approved of the Secretariat's intention to support the Country Director programme until the end of 1995 through the provision of regular budget resources made available as a result of vacancies and economies.

13. With regard to item 13, home leave entitlements, he could not support the draft decision in the annex to document IDB.13/25. He believed that within the United Nations system matters like home leave entitlements of staff should be dealt with through internal consultation procedures, in which Member States should not be involved.

14. Ms. NOLAND (Netherlands) referred to the section on integration of women in development in the Director General's proposals for the revised draft medium-term plan, 1996-2001 (IDB.13/19, paras. 69-79). She said that concern existed about the way in which UNIDO would give operational effect to the policy of "mainstreaming" it had adopted. It even seemed doubtful whether all units of the Secretariat were aware of the policy. It was illogical for the integration of women in industrial development to be regarded as a "special consideration" when the Organization's statistics showed that they constituted about 30 per cent of the total manufacturing labour force, and 50 per cent or more in those countries where industrialization had been particularly rapid and successful. Elsewhere in [illegible] proposals only the slightest reference was made [illegible] catering for gender concerns, and none at all [illegible] connection with the development of human resources for industry (paras. 32-39), or environmentally sustainable industrial development (paras. 48-57). Even more serious was the omission of gender-specific statistics from the national industrial statistics programme. She asked the Secretariat to comment on those shortcomings.

15. In conclusion, she urged the Secretariat to do its utmost to fill the vacancy in the staff of the Integration of Women in Industrial Development Unit, whose existing Professional staff were overworked.

16. Mr. SOLENDIL (Turkey) announced that his Government had decided to make a special purpose contribution of LT 8.5 billion to the Industrial Development Fund for 1995.

17. Referring to item 5 (b), Financial situation of UNIDO, his delegation welcomed the Director-General's report on the scope and content of the operational budget (IDB.13/28) and approved of the Secretariat's intention that operational budget resources should be allocated to programmes which directly supported technical cooperation activities in proportion to the volume of those activities. To obviate the reduction in UNIDO's technical cooperation caused by the expected decrease in UNDP funding, the Organization should provide comprehensive technical assistance to developing countries rather than small sporadic services. UNIDO should do more to ensure growth in the budget by seeking new sources of funding. His delegation therefore approved of the creation in the Secretariat of a separate major programme devoted to fund mobilization.

18. With regard to the medium-term plan, his delegation supported the reduction in the length of plans from six to four years and the Director-General's proposal to rename the medium-term plan "medium-term programme framework". The five proposed development objectives should be more clearly defined in the 1995-1996 programme than they were in the revised draft medium-term plan and the existing services of UNIDO should be grouped under fewer, more comprehensive hearings.

19. His delegation hoped that income-generating activities for women and female entrepreneurship would be encouraged. In addition, while welcoming the emphasis placed on privatization in the medium-term plan, it believed that the Secretariat

needed expert assistance in that field. Turkey's aim was to limit State involvement in the economy to 30 per cent and confine it to areas such as health, education, social security and national security. His Government would take steps to alleviate the adverse social effects of its privatization plans. The Organization could usefully advise Governments on privatization issues by virtue of its own expertise or that of countries which had successfully completed their privatization programmes. His delegation would submit a draft resolution of the subject for consideration by the Board.

20. Mr. HELLER (Mexico) said that, against a background of modest but nevertheless precarious growth in the world economy, his delegation believed that the role of industry as a driving force for growth and the basis of economic and social development assumed particular importance. The General Conference had affirmed the need to adapt the Organization to the realities of international life through a broad process of reform. The Board must take long-term responsibility for strengthening UNIDO. The proposals for the revised draft medium-term plan, 1996-2001 (IDB.13/19) represented an important step in that direction, particularly because of the identification of services specifically related to UNIDO's objectives and programmes.

21. The Organization's advisory services in regard to industrial policies, technical services and the establishment of contacts with the private sector, and in particular with small and medium-sized enterprises, were salient factors in attaining its five new objectives. Also conspicuous were the advances in three priority areas of special importance: institutional support and the promotion of the private sector; small and medium-sized enterprises; and environment and energy. His delegation shared the ideas presented in the medium-term plan proposals and endorsed the suggestion that the medium-term plan should be renamed "medium-term programme framework", a term that accorded better with the intention that it should serve as a reference for the formulation of biennial programmes. His delegation also agreed that the period for the programme framework should be reduced to four years, which would be more compatible with the scheduling of the Programme and Budget Committee and also in line with the current trend in the United Nations.

22. Despite the substantial progress which the Organization had made, his delegation viewed with particular concern the persistent gap between the activities necessary to achieve Member States' industrial development objectives and the availability of funds. Needs must be balanced and the necessary funds mobilized accordingly. The increasing support being given to countries whose economies were in transition should supplement and not displace the assistance given to other countries.

23. The Director-General's report on the financial situation of UNIDO (IDB.13/22) presented an optimistic view of the regular budget, even though the contribution collection rate had fallen considerably in comparison with 1993. The temporary suspension of subparagraphs (b) and (c) of paragraph 4.2 of the Financial Regulations made it possible to increase liquidity by drawing on the contributions of previous years. Nevertheless, the arrears of contributions at 31 October 1994 totalled more than $79 million at the current rate of exchange; to that must be added the decrease, from 72.4 per cent in 1987 to 34.6 per cent in 1993, in the proportion of UNDP funds available for total project expenses.

24. The operational budget depended on the level of voluntary contributions, something which placed it in a precarious situation. With regard to its relationship to the regular budget, the components of expenditure should be identified better and the method used in allocating resources to the regular budget on the basis of the possibilities of repayments from other sources should be investigated more thoroughly.

25. Changes at the international level required redefinition of strategies and realignment of activities. The reform of UNIDO should be accompanied by measures such as an increase in voluntary contributions to the operational budget for technical cooperation activities. Possibilities should be explored of raising the fixed percentage of the regular budget available for those activities.

26. Mr. JEDDAH (Tunisia) observed on the subject of the UNIDO Country Director programme that the Director-General had rightly told the tenth session of the Programme and Budget Committee that the question of appropriate representation was of fundamental importance and that he intended to devote to the programme the savings made on the regular budget for 1994-1995. He had made the point that without effective field offices it would be extremely hard to improve UNIDO's operational programmes and activities in the various regions.

27. Tunisia wished to stress the importance of strengthening the UCD programme by using the regular budget and other sources. The UCD offices must be in a strong financial position, and the target of 50 CD posts should be achieved, or at any rate the present number maintained. His delegation supported the work being done on the matter, in particular the proposal to set up a technical cooperation fund for the UCD offices, which would enable them to respond rapidly to urgent requests for advisory services or direct support, urgent study trips in the region or missions to formulate programmes and projects. In the future a much stronger representation in the different countries would be necessary to help the Organization to identify, formulate, supply and follow up a wide range of services for an increasingly diverse clientele in the developing countries.

28. The financial resources to carry out the various technical assistance programmes had to be commensurate with the challenges involved. His delegation therefore appealed once again to donor countries and financial institutions to provide such resources.

29. He reiterated his delegation's support for the draft decision submitted by the Group of 77 concerning the 6 per cent limit on the allocation of funds from the regular budget to support technical cooperation activities. His delegation believed, like the Director-General, that such an increase would make UNIDO's reforms more credible.

30. Finally, he expressed his delegation's confidence in the Director-General's efforts to achieve the objectives set by the fifth session of the General Conference.

31. Mr. CHEN Shiqui (China), speaking on item 5, said that his delegation was concerned that the present year's collection rate for assessed contributions was rather low and that the support cost income for the operational budget was still poor. It appreciated the fact that the Secretariat was now economizing on administrative costs in order to strengthen some priority activities such as the UCD programme and the programmes for the least developed and African countries. UNIDO had been confronted with financial difficulties for a long time, mainly because some Member States had not paid their contributions on time. Since Member States had expressed their support for the reforms currently under way, his delegation hoped that they would pay the contributions that were needed in particular to support that process.

32. Since the fifth session of the General Conference the Secretariat had done everything possible to implement the reform plan. Progress had been made in administration, management and operational activities which had increased the confidence of Member States in the Organization and laid the foundation for futher reforms. His delegation hoped that the Secretariat would continue along those lines. Naturally, however, time was needed for the reforms to bear fruit.

33. Turning to the medium-term plan 1996-2001, he noted that the Programme and Budget Committee had considered the draft plan at its tenth session, after which the Secretariat had revised it on the basis of the comments of Member States. His delegation believed that the revised draft was in line with the newly-established strategic goals of UNIDO and, that the points of emphasis were clear and the measures feasible. It therefore endorsed the plan in principle, while recognizing that it would need to be adjusted in the light of future situations.

34. He hoped that the Secretariat would take practical steps to avoid over-extending the Organization's activities and rectify a certain lack of focus in its work.

35. Mr. REATEGUI (Observer for Peru) said that the general feeling among Member States was that the Organization's reform process was going in the right direction, as a result of the good work done by the Director-General and the Secretariat, which was confirmed by the quality and timely presentation of the documents before the Board, while there was thus political support for UNIDO's process of reorganization, financial support had lagged behind: although the contribution collection rate for the regular budget up to October 1994 was higher than the rate for the same period of the previous year, there had been a reduction in voluntary contributions to the operational budget. Clearly, without sustained financing the work of the Organization would be seriously restricted, and technical cooperation, already gravely restricted by the financing limit established in Annex II of the Constitution, would be substantially diminished. Similarly, field representation would be affected.

36. Peru therefore reiterated the pledge it had given at the time of the Yaoundé Declaration and reaffirmed its political and financial support for UNIDO. Peru supported the proposals that the Director-General should make full and effective use of the resources in the 1994-1995 biennium by reassigning the Secretariat's priority activities and programmes; pursue cooperation with UNDP, donor bodies and international financial organizations with a view to securing greater voluntary contributions for technical cooperation activities; consider how the 6 per cent limit on the proportion of the regular budget allocated for technical cooperation could be raised; and take action to mobilize resources to improve the financial basis of the Industrial Development Fund. The first three of those proposals had originated with the Latin America and Caribbean Group and would be submitted by the Group of 77. He urged all delegations to support the corresponding draft decisions.

37. His Government welcomed UNIDO's activities in Peru and hoped that they would be strengthened by a new UNIDO programme for Peru as a result of the visit to Lima of the Director for Latin America and the Caribbean in October 1994.

38. A first step had been the appointment of a National Director in the UNIDO Office in Peru, which his Government regarded as a very important measure, and it also supported the establishment of an Investment Promotion Service office or the assumption of those functions by UNIDO's existing field staff.

39. Industrial investment promotion had been reflected in the strategy and policy advisory services provided by UNIDO, under a trust fund made available by the Government of Japan, to the Commission for the Promotion of Private Investment (COPRI) for Peru's privatization programme in specific industrial sectors. Development and technology transfer would be strengthened by the establishment of a new national focal point, with multisectoral participation, of the Industrial and Technological Information Bank (INTIB). Small- and medium-scale enterprises could benefit from a flexible industrialization project drawing upon the Organization's advisory services. It was also planned to make more efficient use of the services of the world investment system in order to publicize the attractive investment and business opportunities that existed in Peru.

40. Peru's economy had been completely liberalized and deregulated since 1990. For the second year running, it had the highest growth in gross domestic product in the American continent (more than 9 per cent in 1994), with a 15 per cent increase in the indicator for the physical volume of industrial production, a dramatic decrease in inflation, which would be less than 20 per cent in 1994 and below 10 per cent in 1995, a foreign investment stock of more than US$ 6 billion, net international reserves of more than US$ 5 billion, and a successful privatization process under way. The combination of a revitalized UNIDO and a reorganized Peruvian economy should certainly produce excellent results.

41. Mr. See-Young LEE (Republic of Korea), commenting on item 5 (e), UNIDO's financial situation, said that his delegation had noted with appreciation the Director-General's efforts to achieve careful cash management, an improved collection rate and management control of regular budget resources. The resulting stabilized financial situation had helped to improve the implementation of work programmes. However, there remained a critical need for contributions to be paid in full and on time.

42. His delegation considered it necessary to give the Director-General more flexibility in

redeploying savings arising from rationalization measures to more demanding programmes in priority areas. It was prepared to give favourable consideration to the Director-General's suggestion to make full and effective use of unutilized resources in the 1994-1995 biennium by reallocating them to such priority programmes and activities as field representation, LDCs and core activities.

43. Noting that the income of the operational budget had declined, his delegation would encourage the Director-General to continue his efforts to improve the situation and try to balance the operational budget by the end of 1994.

44. The Republic of Korea had implemented various cooperation projects with UNIDO under the IDF trust fund and would contribute US$ 100,000 to the IDF for the year 1995 to support the technical cooperation programme.

45. Turning to the revised draft medium-term plan for the period 1996-2001, he noted with satisfaction that the activities envisaged were generally compatible with UNIDO's policy framework as outlined in document GC.5/23. The draft medium-term plan provided a broad framework through which UNIDO could address the needs of developing countries. He commended the Secretariat for introducing a new structure for the medium-term plan and a more appropriate mode of presentation.

46. Two priority areas would remain crucial to the industrialization of developing countries in the years ahead, namely, greater international competitiveness and promotion of human resources development. In the medium term more attention should be given to increasing the international competitiveness of developing countries' industries, with UNIDO's active involvement in helping promote greater participation of the private sector, particularly by small- and medium-scale enterprises, and a greater flow of foreign investment and technologies. Emphasis should also be laid on UNIDO's role in promoting human resource development, which had proved to be the basis for the industrialization of some fast growing economies.

47. Turning to the programme framework for field representation and the progress report on the UNIDO Country Director programme (IDB.13/3/Add.1, IDB.13/29), he endorsed the view that high priority should be given to the UNIDO Country Director programme. The Organization needed much stronger field representation to be more competitive, strengthen its position in securing the necessary funding, decentralize further and deliver a broader range of services to meet the immediate industrialization needs of developing countries. His delegation looked forward to receiving the Director-General's comprehensive programme on UNIDO's future field representation in the near future.

48. Mr. Weitko (Poland) took the Chair.

49. Mr. ARCILLA (Philippines) urged Member States to pay the arrears of contributions to the regular budget so as not to unduly hamper UNIDO's activities.

50. His delegation had noted the reduction in expenditure during the first eight months of the biennium because of the delayed appointment of staff to various positions, and welcomed the economy measures undertaken, while recommending that the Director-General should continue to find other possible areas for economies. He supported the reallocation of unutilized resources to fund the strengthening of UNIDO's field representation till the end of the current biennium as a stop-gap measure.

51. His delegation did not consider that the Secretariat's plan to upgrade the telephone system for which $1 million would have to be redeployed from general savings was opportune.

52. The delivery of services could be effective only when there was a man in the field in touch with the host country day-by-day. The Philippines had not had a UDC for some time, although it was indebted to Norway for having maintained a Junior Professional Officer in Manila, whose presence to some extent made up for the absence of a UCD. A greater percentage of the UCD programme's funding should be included in the regular budget, and he requested the Director-General to submit recommendations in that respect as soon as possible. The Director-General should make an increasing use of the services of UCDs for activities that would normally necessitate the dispatch of headquarters staff. In view of the need for a stronger mandate for the UCDs, his delegation urged the Director-General to undertake an immediate review of the Memorandum of Understanding with UNDP with a view to making appropriate adjustments. Without wishing to deplete the Organization's staff resources at headquarters, his delegation recommended an increased redeployment of staff to the field in line with the spirit of General Assembly resolution 47/199.

53. His delegation requested the Director-General to look immediately into possible ways of allocating a greater proportion of the regular budget for technical cooperation activities, and in that connection he welcomed the remarks made by the representative of Germany on behalf of the European Union and Austria. The ceiling set for technical cooperation activities was now inadequate, because of the substantial reduction in operational budget resources, particularly those from UNDP. More emphasis should be placed on that aspect of UNIDO's work.

54. His delegation welcomed the recent consultations with the Secretariat on the review and approval of technical cooperation projects, and hoped that further consultations would be held on that and other topics. Ideally, there should be greater involvement with member countries through their Permanent Missions in connection with the work of the Programme and Project Review Committee.

55. Turning to item 13 of the agenda, he noted that document IDB.13/CRP.5 had been produced in consultation with the Staff Council. In line with paragraph 27 (a) of the document, he endorsed the adoption of a system whereby terminal expenses and additional baggage allowance would be excluded from the lump-sum option and the full economy fare would be used as the basis for the lump-sum option in return for a reduction of the entitlement to 65 per cent of the fare. That percentage was generous enough to allow staff room for manoeuvre in arranging for their travel. It was halfway between the present entitlement of 80 per cent and the 50 per cent offered by UNESCO; the fare differential between Paris and Vienna could not be more than 15 per cent. When tickets were provided by the Organization, the Director-General should

be encouraged to use the least expensive fares available, as had long been recommended by the External Auditor. The Group of 77 had submitted a draft resolution on that subject. He appealed to the Secretariat not to ask for more time to study the matter. The new system should take effect by 1 January 1995, as decided by the Board in May. That was also the date decided on by the IAEA Board of Governors, and there was no point in each organization waiting for the other to put its decision into effect.

56. His delegation did not agree that the matter was best left to the administration: the Board was not encroaching on the Director-General's prerogatives but merely trying to give him guidance. His delegation was not proposing anything that might jeopardize the safety of the staff and their families. In proposing the use of the cheapest fares, his delegation was only thinking of Apex fares. It did not have in mind unscheduled carriers. Moreover, his delegation accepted the idea that the entitlement to home leave once every two years was an acquired right; but it did not agree that the staff had an acquired right to gain what the former External Auditor had described as "some pocket money" in exercising that entitlement. Any member of the staff who considered his rights infringed by the proposed change could always take the matter to the Administrative Tribunal, and if his case was upheld the status quo ante could always be restored.

57. The staff had also made reference in document IDB.13/31 to the report of the External Auditor, to the effect that the External Auditor had "pointed to the economies that had been achieved since the special arrangements for home leave were introduced in 1987 (IDB.13/7, para. 208)". That was a misleading statement, since the External Auditor had merely said that he had been provided by the management with a detailed computation showing the savings after having raised a query on the matter. On the contrary, the main thrust of the External Auditor's comments on the present arrangements in document IDB.13/7 was that more economies could be effected through the use of cheaper fares. As early as 1989 the then External Auditor said that he could not concur with the Administration's argument, that the use of fixed-reservation fares was more expensive in the long run. In that connection he quoted paragraph 84 of document IDB.7/11.

58. Having earlier commended the staff for their clarity of vision, his delegation believed that sooner or later they would give their wholehearted support to the relatively minor change proposed.

59. Mr. HALPHEN (Observer for Panama) congratulated the President on his election and said he felt sure that the Board would carry out its work successfully under his able guidance. His alternate would comment on items 5 and 13.

60. Mrs. DE PEREZ-VENERO (Observer for Panama) said that ethical standards ought to be much higher in the United Nations system than in other organizations which were not committed to the values set out in the United Nations Charter and the Universal Declaration of Human Rights. Any failure to live up to those standards was liable to undermine faith in the organization concerned. The Panamanian Mission to UNIDO was finding it difficult to maintain its support for UNIDO because of a lack of transparency on the part of the Organization. It had submitted four questions to the Director-General at the session of the Programme and Budget Committee in June 1994. The questions, which had been written in English in accordance with the requirements of the UNIDO Liaison Office, concerned the expenses described by the External Auditor in his 1994 report to the PBC as relating to the staff reductions carried out in 1993. The Panamanian Mission had wished to prepare a final report on the true cost of the staff reductions made the previous year and their impact on the future of the Organization. It had also hoped to include data on other related questions on which clarification had been sought since October 1993.

61. Replies to those questions would have helped to bring out the true situation concerning the cost of the staff reductions made in the previous year and to explain why the contract of the only Panamanian staff member, a person of unquestionable professional competence, had been terminated. The Panamanian Mission did not consider that to dismiss one national of a third world country in order to appoint another was the way to implement the Director-General's promises to ensure balanced geographical distribution. It understood that the same technique had been used with regard to women staff members at UNIDO of grade P-4 and P-5. Such proceedings called in question the value of the staff reductions and also the sincerity of the Secretariat. They were against the spirit of the United Nations and the declarations made by its Secretary-General on many occasions.

62. The Panamanian Mission was specifically concerned by the very high cost ($7,125,000) of the staff reduction exercise carried out in 1993, to which should be added the medical insurance and pension costs not mentioned by the External Auditor. Despite the reductions, UNIDO's problems remained, and it might well wish to reduce its staff again. The Panamanian Mission had officially submitted a number of complaints against UNIDO to the Administrative Tribunal of the International Labour Office on account of the reductions made in 1993, which would involve high legal costs for the Organization. The Panamanian Government had nevertheless, with great difficulty, paid its contribution in June 1994, a sum of US$ 68,351, which was a considerable amount for a small country.

63. Only two of the four questions put by the Panamanian Mission to UNIDO had been properly answered. On the other two, UNIDO had suggested that the Mission might find the answers in certain documents of the PBC and the IDB. The Mission had not, however, found the full answers there and had informed UNIDO of that fact in a note verbale dated 27 September 1994, written in English, in which it had expressed its concern and put further questions to UNIDO.

64. UNIDO had still not replied fully to all the questions put to it, possibly relying on the passage of time to avoid doing so. The questions referred to financial matters and to the way in which posts had been restructured, and it ought to have been possible to answer them clearly and simply. The Panamanian Mission was thus obliged to report to its Government that the obstacles placed in its way by the Secretariat had prevented it from preparing a proper report on UNIDO's financial situation and the value of the restructuring process for the Organization's future.

65. Mr. El Hussein (Sudan) took the Chair.

66. Mr. SORELIK (Russian Federation) asked if the rules of procedure provided for a time-limit to be set on speeches.

67. The PRESIDENT replied that the rules of procedure contained no provision to that effect. The Board had, however, already decided that statements should not exceed 15 minutes and that speakers should be invited to keep them as brief as possible.

68. Mr. NEGRU (Romania) said that he had noted the improvement in UNIDO's financial situation with satisfaction, but hoped that programme implementation would not suffer from excessive eagerness to balance the budget. He expressed his appreciation for document IDB.13/19. He shared the view that the main purpose of the medium-term plan should be to establish trends and to list Member States' requests for UNIDO services and that biennial programmes with detailed objectives should then be based on that framework.

69. UNIDO had once again proved its ability to face the challenges of the new economic and political situation, not only by dealing with topics such as environmentally sustainable development or assistance for small and medium enterprises, but also by the concern shown to follow the overall reform efforts of the United Nations system. The five new development objectives of the Plan (IDB.13/19, paras. 12-17) were consistent with UNIDO's previous mandates and allowed a better definition of its strategic objectives. Objectives IV and V were of particular importance to countries in transition. Lack of environmental protection in the past had led to severe cases of pollution in some parts of Romania which had appreciated the services provided by UNIDO in the form of policy advice, information on clean technologies in various industrial sectors, environment and energy audits. UNIDO had also carried out activities in Romania such as the ongoing project of technical assistance for two non-ferrous metallurgy plants. With the generous assistance of the Japanese Government, that important project was aimed at reducing pollution by preparing guidelines for introducing cleaner production practices.

70. The promotion of projects related to the Montreal Protocol through UNIDO was also worthy of mention, and in that respect he wished to commend the active role played by the Industrial Sectors and the Environment Division in promoting projects assisting industrial companies in Romania to reduce pollution.

71. With regard to objective V, Romania was particularly interested in the projects which would lead to an increase in direct foreign investment. UNIDO projects in that field had already given good results, and his country now hoped for implementation of a long-awaited project on the establishment of a Romanian IPC within the Joint UNIDO-Romania Centre. Other factors which would encourage investment promotion were related to the flow of information from UNIDO data banks to Romanian industries. The proposed project to ensure a computer link between the Bucharest office of the Joint UNIDO-Romania Centre and UNIDO would allow industrial agents in Romania to be informed about available technologies and, through the DIPP data base, to obtain relevant information about potential investors and similar investment projects promoted by the UNIDO network.

72. He agreed that the changes taking place in the global economy and the United Nations made it difficult to define tasks and programmes for six-year periods, and therefore fully supported the draft decision proposed in paragraph 149 of document IDB.13/19.

73. Mr. BRAGA (Brazil) believed that the current process of reform called for considerable efforts and probably some sacrifices. First of all, countries which had declared their readiness to increase UNIDO's capacity to promote the industrial development of the developing countries should make the effort to pay their financial contributions. The countries in arrears in their payments to the regular budget, should realize that their conduct was hampering UNIDO's administration and programmes. They were acting against their own interests, for it would be unrealistic to ask for programmes and projects of high quality if the Organization was denied the means of providing them. His delegation had been concerned to note proposals of a micro-management nature aimed at doing away with some of the benefits enjoyed by the staff. UNIDO should make savings where they were really needed, by strict control of programme and project feasibility and quality or by improving cost/benefit ratios through the redeployment of personnel.

74. Regarding the operational budget, he stressed the need for countries in a position to do so to contribute to it. It was understandable that countries might wish to pay greater attention to specific regions for various reasons, but it was recognized more and more that development was of benefit not only to the specific area experiencing it but to the whole world. Economic growth was reflected in more jobs, less poverty, less migration and wider markets.

75. The fundamental international commitment to development was the cornerstone of the order to which his country aspired and for the establishment of which organizations such as UNIDO should be utilized. Development encompassed the basic needs of all nations and all peoples and promoted human rights and welfare for all. The donor countries should realize that it was in their own interests that the general-purpose convertible segment of the IDF and the general fund of UNIDO should be important sources of finance for programmes for the whole world.

76. In addition, it might safely be considered that the pledging of contributions laid an obligation on the pledging party. Donor countries might therefore be asked to make firm pledges concerning the biennium at the beginning of the period, indicating the amount of their contributions to the general fund and the general-purpose convertible segment, and choosing, if they so wished, programmes and projects listed in the medium-term plan as having priority importance. They would thus help to avoid the dispersion of resources among many small programmes and projects, which might not have the impact hoped for in the countries concerned.

77. In accordance with Annex II of the Constitution, the amount authorized to be allocated from the regular budget for development activities was only 6 per cent. In other

United Nations organizations much higher percentages were authorized for development activities. It seemed to him that the time had come to discuss the possibility of increasing the percentage in UNIDO, after considering the study to be prepared by the Secretariat and without imposing too heavy a burden on Member States.

78. With regard to the impact of programmes and projects, the importance of UNIDO's representation in Member States should be taken into account. The number of UCDs should be increased and they should be staffed by skilled and experienced people. Brazil supported the idea that national UCDs should be appointed to all countries which could provide UNIDO with a person competent to perform the UCD function, who knew the country's industrial development needs and also knew UNIDO and its mechanisms for development promotion in the industrial field.

79. It had been said that UNIDO was ineffective, and the shortage of financial resources had been quoted as one of the reasons why it had been ineffective. The Board should not be over-hasty in its conclusions. It was responsible for giving meaning to change and for setting trends. It should pursue the restructuring process further by adopting measures that could solve the Organization's financial difficulties. It could not allow UNIDO to be paralysed by lack of resources. No other international organization could play the role that UNIDO had to play.

80. Mr. POSTA (Observer for Hungary) said he had been glad to learn that UNIDO's financial position was sound in so far as the regular budget was concerned and hoped that budget stability showed Member States' confidence in the new reform process. Further efforts were still required to find additional funds to improve the unfavourable aspects of the operational budget.

81. He had also noted, however, from document IDB.13/22 that UNIDO had accumulated some US$ 4.7 million in savings from higher-than-budgeted vacancies during the first eight months of the year. The average vacancy rate of 15 per cent in Professional posts was high enough, but if one compared the allocation of professional work-months as approved for the current biennium with the current list of staff in document IDB.13/CRP.1 it was clear that there were more vacancies in the substantive divisions than in the administrative ones. That seemed partly to explain the difficulties experienced by UNIDO in balancing its operational budget for it could not implement its technical cooperation programme without adequate technical staff. He sincerely hoped that the measures taken to achieve the full and effective utilization of resources would not distort the approved distribution of those resources among the various divisions, and particularly that it would not increase the share of administrative units to the detriment of technical units.

82. Referring to document IDB.13/28, he welcomed the clear analysis provided of the relationship between the regular and the operational budgets. The improvements in categorizing and measuring support costs were to be commended, and he hoped that the Secretariat would make similar analyses for other sectors as well.

83. Some clarification of the conclusions of the document, however, was required. It was suggested in paragraph 33 that in future budgets the Organization would allocate operational budget posts to those programmes where income was generated, i.e. the technical divisions. Since the total number of posts would probably not increase in the near future, it seemed that some regular budget posts in the substantive divisions might be exchanged for operational budget posts from administrative units. The insecurity of those operational budget posts was not likely to attract high-quality staff. It might also be assumed that any organization would prefer to maintain its core business staff and keep the more flexible or less secure posts in its administration; if the level of the services required decreased, it was the administrative service which would have less work and whose numbers could therefore immediately be reduced. He would be giving further consideration to post allocation policy before the next PBC, when the next biennial budget would be submitted for the first time.

84. Mr. GUPTA (India) said that his delegation was pleased to note from document IDB.13/21 that a standing committee had been formed to follow up the recommendations of the External Auditor. The efforts made to implement those recommendations would undoubtedly result in greater efficiency and economies.

85. Regarding the financial situation of UNIDO, it was a matter of concern that, as at 31 October 1994, the outstanding contributions for 1994 alone stood at almost 46 per cent of the total assessment. Member States in arrears should strive to pay their contributions on time, and his delegation supported the retention of savings by UNIDO in order to improve its financial situation.

86. His delegation appreciated the efforts made to stabilize the operational budget at a reasonable level. It fully supported the idea of increasing the level of regular budget resources for technical cooperation beyond the present limit of 6 per cent.

87. Concerning the draft medium-term plan, 1996-2001, India considered it extremely important that UNIDO should maintain its capability in the areas listed in table 2 of document IDB.13/19. They represented the minimum range of services that a revitalized UNIDO should provide to recipient countries.

88. On the question of UNIDO's technical cooperation activities, his delegation was pleased to note that the new service management procedure was working satisfactorily. It was, however, concerned about the response of the donor community to requests for funding quality projects approved by the Programme and Project Review Committee and would like to have detailed information in that connection.

89. His delegation was also concerned about the implementation of projects and programmes and the high vacancy factor, particularly in UNIDO's technical branches, and wished to receive more information on the matter.

90. India would make a contribution of US$ 1 million to the IDF, increasing the share in convertible currency from 50 to 80 per cent, and would allocate US$ 250,000 of that contribution to the general-purpose convertible segment of the IDF. In addition, it was making large financial contributions to a special trust fund for the

International Centre for Genetic Engineering and Biotechnology. It wished to urge other donor countries to increase their voluntary contributions in support of technical cooperation activities.

91. His delegation appreciated the Secretariat's efforts to diversify sources of funding for technical cooperation away from the United Nations Development Programme (UNDP). Efforts to utilize funds under the GEF, Capacity 21 and Montreal Protocol should be further pursued, since they would represent an increasingly important area of demand for UNIDO's services. Further attempts should also be made to increase the use of UNIDO's services by international financial institutions and agencies concerned with project implementation in recipient countries, as well as private business and industry.

92. On the question of UNIDO's field representation, his delegation believed that more regular budget resources should be used to support that programme and other possibilities of support should also be explored. At the same time, coordination at the country level between the activities of agencies of the United Nations system, including the International Monetary Fund and World Bank, remained a basic objective.

93. Regarding the electronic data-processing programme, his delegation appreciated the progress achieved, as indicated in document IDB.13/20, and supported the efforts to improve efficiency through networking and other activities. That could greatly strengthen UNIDO's capabilities and efficiency.

94. Mr. REINVART (Slovakia) said that, in view of UNIDO's difficult financial situation, only the stabilization of the regular and operational budgets could allow the Organization to carry out its programmes effectively and meet the expectations of Member States. Prompt payment of assessed and voluntary contributions was of crucial importance, particularly in the current period of UNIDO's major restructuring exercise. Slovakia had, despite its economic difficulties, paid the remaining portion of its 1994 assessed contribution.

95. In connection with technical cooperation activities, Slovakia had pledged a voluntary contribution to the IDF of an amount equivalent to US$ 80,000 for 1995 and US$ 100,000 for 1996 in support of the Slovakia-UNIDO joint programme.

96. As an example of a project for which funds had been mobilized from non-traditional sources, the Slovak National Agency for Development of Small and Medium Enterprises had signed a subcontract with UNIDO for the provision of specific services in the establishment of an industrial subcontracting and partnership exchange at Bratislava. That subcontract was the result of three-way cooperation between the European Union, the Slovak authorities and UNIDO, the funds being allocated under the European Union's PHARE programme. It was hoped that similar cooperation could be achieved with USAID and with other national and international bodies that had allocated funds for assistance in Slovakia's economic transformation, in conjunction with UNIDO's services and support.

97. He wished to express his Government's appreciation to the Government of Austria for the allocation of funds for projects dealing with environmental issues in Slovakia and the Central European region. Slovakia hoped that donor countries would be able to provide financial support for other environmental projects in heavily polluted industrial areas of Central Europe, and his Government was willing to cooperate with UNIDO in developing a pilot environmental project in Slovakia that could become a training centre for experts from developing countries.

98. His Government believed that consideration should be given to the organization of a high-level meeting in 1995 on world industrial development, to be attended by representatives of Governments, the private sector, international financial institutions and academic and scientific institutes involved with industrial development. It would be a forum for UNIDO to present its marketing strategy, programme of action and medium-term plan and would provide a means of securing support for activities at the national and multinational levels and funds for industrial development world-wide.

99. Mr. AKAO (Japan), referring to the report of the External Auditor (IDB.13/7), said that his delegation appreciated the efforts made towards rectifying instances where the financial management of UNIDO departed from the regulations. Nevertheless, much remained to be done, and his delegation wished to request that a progress report on the matter be presented at the next session of the Board. Accountability and transparency in financial management were essential for the promotion of a positive image of the Organization.

100. With regard to the financial situation of UNIDO, his Government had paid its 1994 assessed contribution in full. In the redeployment of resources to priority programmes and activities, due consideration needed to be given to the level of priority and necessity of the activities concerned. Regarding the scope and content of the operational budget and its relationship to the regular budget, his delegation believed that any changes in the cost components of technical cooperation support should be made with care. It did not share the view that the 6 per cent ceiling on the regular budget portion that could be diverted to technical assistance should be raised. Technical cooperation activities should be funded primarily from voluntary contributions.

101. Concerning the medium-term plan, 1996-2001, his delegation agreed that it should be renamed the "medium-term programme framework" and that the period covered by it should be reduced. The principle of real zero growth should be adhered to in the budget for the biennium 1996-1997.

102. Regarding agenda item 5 (d), top priority in the use of his Government's contributions to the UNIDO trust fund and the IDF would be given firstly to the LDCs, with a view to encouraging economic and technical cooperation among developing countries (ECDC/TCDC) and fostering multi-bilateral cooperation, and secondly to global issues such as the environment. The lessons learned from the in-depth evaluations made of projects financed from Japan's contributions should be incorporated by UNIDO in future project formulations.

103. In connection with the UCD programme, while he appreciated the information supplied in document IDB.13/29 on the field representation of other specialized agencies, caution should be

exercised in making comparisons between UNIDO and those agencies, whose histories were longer and whose functions and scales of activity were different. UNIDO should concentrate its services in speciality areas appropriate to a given country or region, and due account should be taken of the cost-effectiveness of the Organization's field offices. Financial or in-kind contributions by host countries were essential for the success of the UCD programme.

104. Regarding agenda item 13, his delegation believed that the amount paid by way of home leave entitlements should be adequate to cover the cost of travel to and from the staff member's home country and no higher. At the same time, staff should be treated in an identical manner to those working in other organizations of the United Nations system, with no disparities in benefits or allowances. It therefore wished to propose that the Board request the International Civil Service Commission to establish common arrangements for the operation of the system of home leave entitlements for all organizations under its jurisdiction.

105. Mr. MOAMPEA MBIO (Cameroon) said that the progress made in implementing the reform and restructuring of UNIDO was commendable. Further efforts were, however, called for to achieve a better distribution of posts at the senior and middle management levels of the Secretariat without, of course, compromising standards of competence and efficiency.

106. UNIDO's field representation was of paramount importance in meeting the requirements of the developing countries, and the Board should make such recommendations as were appropriate and necessary in the matter of decentralization of certain headquarters functions. The PBC had proposed, as an initial solution, the setting up of subregional offices. The majority of Member States that were in most need of UNIDO's services had, however, unanimously expressed a preference for regionally-based representation. A more rational use of available human and financial resources could be achieved by concentrating those resources. His Government had recently made a substantial contribution towards the funding of field representation and the reform process. It had also arranged for personnel and premises to be allocated to the Organization, in order to help ensure the success of the field representation programme.

107. In connection with the restructuring exercise, his delegation wished to urge that UNIDO's offices in the developing countries should also carry out investment promotion activities, in addition to providing the necessary support for the investment promotion services set up in the more industrialized countries.

108. His Government supported the programme for the revival of national committees for UNIDO, which could play a decisive role in the areas of coordination, follow-up, consultancy and information dissemination. Economic operators, as the main actors in the industrialization process, should be the leading members of the national committees, whose entry into operation could be speeded up through the provision of technical assistance by UNIDO.

109. Finally, he felt that efforts should be made to provide the Board with conference room papers in at least two major working languages other than English.

110. Mr. KAYALAR (Secretary of the Board) said that although the rules of procedure indeed required that all documents should be issued in the six working languages of the United Nations, there was general agreement, in the interests of economy, that, while pre-session documents would be distributed in all six working languages, in-session information documents such as conference room papers would be provided in English only.

111. Mr. AL ZEID (Saudi Arabia), referring to the report of the External Auditor, said that efforts should be made by the Secretariat to reply more fully to the External Auditor's queries and to take account of his comments, with a view to ensuring the proper financial management and control of UNIDO.

112. Regarding the financial situation of UNIDO, his delegation had noted the non-payment or delay in payment by some Member States of their assessed contributions, even for the biennium 1992-1993. That state of affairs severely hampered the Organization's implementation of its programmes. Might it not be possible to use the reserves and residual sums for the biennium 1990-1991 to make up the shortfall? All Member States should be urged to pay their contributions promptly.

113. With regard to UNIDO-administered funds, his delegation supported the use of the programming framework within the context of the guiding principle of cost-effectiveness and welcomed the Secretariat's efforts in applying the new uniform guidelines and procedures for UNIDO project acceptance and funding, as well as the review of their implementation.

114. His delegation considered that the medium-term plan, 1996-2001, could serve as a medium-term programme framework covering a four-year period, with a view to the implementation of the five major development objectives. UNIDO should deploy its full efforts to respond to the increasing needs of Member States in the context of the economic and social changes taking place throughout the world, and his delegation hoped that UNIDO would coordinate its efforts with all agencies and international bodies concerned in order to create a climate conducive to sustainable and equitable development in the developing countries, particularly the LDCs.

115. His delegation was convinced of the need to consolidate the UCD programme and UNIDO field offices. The proposals contained in document IDB.13/3 and Add.1 should be given concrete form, and adequate financial resources should be allocated so that the regional offices could be provided with the necessary staffing and technology. UNDP resident representatives should be involved in strengthening investment promotion activities in the developing countries. That would improve the regional offices' coverage of the full spectrum of field operations, with a view to more effective implementation of projects in the public and private sectors.

The meeting rose at 6.05 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 10 November 1994, at 10 a.m.

President: Mr. ARCILLA (Philippines)
later: Mr. EL HUSSEIN (Sudan)

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Distr.: 28 **November 1994**

The meeting was called to order at 10.05 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

(b) FINANCIAL SITUATION OF UNIDO

(c) MEDIUM-TERM PLAN, 1996-2001 (INCLUDING IMPLEMENTATION OF RESOLUTION GC.5/Res.1)

(d) UNIDO-ADMINISTERED FUNDS

(i) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING

(ii) INDUSTRIAL DEVELOPMENT FUND

(iii) IN-DEPTH EVALUATION OF SPECIAL TRUST FUND PROJECTS

(e) UNIDO COUNTRY DIRECTOR PROGRAMME

(f) ACCOUNTING STANDARDS

(g) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB.13/CRP.6)

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (continued) (IDB.13/25 and Add.1, IDB.13/31; IDB.13/CRP.5)

1. Mr. GORELIK (Russian Federation) said that a link existed between UNIDO's emergence as a competitive and effective organization and the rectification of its difficult financial situation. There were encouraging signs of stabilization in the regular budget. He noted that in the first eight months of 1994 the level of budget utilization had been lower than in previous years. While the slow-down in programme implementation due to restructuring in the first half of 1994 could be accepted, Member States were entitled to expect a substantial improvement in the second half. Stricter financial management, while not precluding some flexibility, would in his view generally ensure the completion of programmes as budgeted.

2. The operational budget situation unfortunately suggested that UNIDO still had to develop a new and more attractive image as an implementing agency for technical cooperation, and would need to adapt itself more fully to the new system of interrelationships with UNDP. He approved the Director-General's steps to balance income and expenditure in the operational budget. It was expected that the current budget would be closed without a deficit. The Organization's most important task must be stabilization of the operational budget and an active search for replenishment sources, and continued support should go mainly to Secretariat divisions engaged in attracting additional donor resources.

3. Replenishment of the operational budget might also be helped by activation of the Organization's work in new recipient countries, with special reference to UNIDO involvement in implementing multilateral programmes to assist countries in transition, as mandated by the last session of the General Conference and the Yaoundé Declaration.

4. While the system proposed by the Secretariat for setting aside operational budget resources for specific programmes in proportion to their contribution to technical cooperation seemed sound, the system had to be applied flexibly enough to avoid a subjective approach and take account of the full range of UNIDO's priority tasks. As rightly noted, achievement of the proposed measures would largely depend on a reliable and objective system for calculating ancillary expenses. It was also important that UNIDO's chief concern should remain the provision of assistance for industrialization of the developing countries, primarily the least developed countries, including those of Africa.

5. Noting with satisfaction that the problems of countries with transitional economies had been reflected in the medium-term plan, he expressed agreement with its proposed new format and change of name.

6. The Russian Federation regarded the UNIDO Country Director programme as an important operational instrument enabling changing needs in recipient countries to be defined in good time and acted upon effectively. The consolidation of UNIDO's presence on the ground came in response to a general decentralizing trend in the work of the United Nations system in the economic and social areas. Furthermore, if substantially improved in its operation, the UCD programme might become an additional channel for mobilizing development finance.

7. His country believed that, for the sake of an objective assessment of the prospects and scale of the UCD programme, a proper balance would have to be struck between real needs and real possibilities, particularly when it came to financing. Welcoming the Secretariat's steps to set up a group of international consultants to survey the UCD programme, he expressed the view that the work of the group should be organized in the broader context of an examination of the issues connected with UNIDO's representation locally. Also commendable was the Secretariat's initiative regarding a comparative analysis of the forms and methods used by other institutions in decentralizing their activities and establishing local representations.

8. On the problem of travel expenses in connection with home leave, his Government considered that the issue should be solved by 1 January 1995 and hoped that the system proposed by the Philippine delegation for rationalizing those expenses would be duly taken into account.

9. Despite the extremely difficult economic period his country was experiencing, the Russian Federation assumed a fully responsible attitude towards its financial obligations to the international organizations of the United Nations system, as evidenced by its increased payments to the UNIDO regular budget. Over the first eight months of 1994 it had succeeded in making payments totalling more than its annual contribution.

10. Mr. DAMANPAK JAMI (Islamic Republic of Iran) said his Government believed that the reformed UNIDO would only be viable with practical support from all Member States, particularly through timely payment of contributions and increased voluntary contributions. A recent meeting on replenishment of the Industrial Development Fund had shown a trend contrary to the

Yaoundé Declaration, with its firm commitments to political and financial support for the revitalized UNIDO.

11. By raising detailed technical issues and telling UNIDO how to act with regard to implementing the priorities already approved by all Member States at Yaoundé, some members of the Board seemed to be showing an unwillingness to continue their support of the Organization. Despite domestic problems stemming from post-war rehabilitation and development, his Government had invariably tried to fulfil its financial commitments to international agencies such as UNIDO and had supported the Organization's activities in various ways. It had recently paid a substantial amount of its outstanding contributions to UNIDO, and would shortly pay another considerable sum.

12. On the other hand, while the operational budget had been affected by lower contributions to IDF, and slower project delivery, his Government had, in view of its good relationship with and support for UNIDO, entrusted the Organization with implementation of the project on elimination of CFCs from industries by means of the financial facilities provided by the Montreal Protocol.

13. Regarding the UCD programme, his delegation believed that it was high time for a permanent mechanism to be set up to cover the cost of UCD offices from internal resources, particularly the regular budget.

14. Field representation would do much to enhance regional cooperation, particularly among developing countries. In that connection, his delegation felt that UNIDO should, as a matter of urgency, establish a subregional office to cover its industrial development activities in the ECO (Economic Cooperation Organization) region.

15. Regarding the draft medium-term plan (IDB.13/19), while the five new development objectives certainly fell well within the mandates approved by the General Conference, his delegation had difficulty with the approach to certain priority problem areas in the previous medium-term plan, such as ECDC and subregional industrial cooperation among developing countries. It hoped that new reform of the medium-term plan would lead to better results in the near future.

16. Mr. RUSINSKI (Poland) said that the financial situation of UNIDO had been a matter of permanent concern, and recalled that the Polish Government had always paid its assessed contributions fully and on time. His delegation took note of the reasons given in paragraph 14 of document IDB.13/22 for the low rate of regular budget implementation in the first eight months of 1994, associated with the reform of UNIDO. It also welcomed the measures intended or taken to achieve full and effective utilization of resources. Regarding document IDB.13/28, it was to be hoped that clearer setting of priorities and structural reform would yield the positive results outlined in paragraphs 24-31.

17. The Director-General's revised draft medium-term plan for 1996-2001 (IDB.13/19) basically met the requirements formulated at the last PBC session. His delegation could agree to the proposal to concentrate on a period of four years and to change the name to "medium-term programme framework". A particularly important task of the programme framework was to coordinate UNIDO's activities more closely with those of other organizations in the United Nations system, in regard to both operational activities and analysis, research and political advice. In that context, some possibility could be seen of duplication with UNCTAD in monitoring and assessment of trends in international foreign direct investment.

18. With regard to the progress report on follow-up action taken in response to PBC conclusion 94/7 (IDB.13/29), appropriate field representation of UNIDO should rank high among the priorities of the new, revitalized UNIDO, and the substantive and programming capability of UNIDO country offices must be strengthened. He also believed that the idea of establishing some subregional offices on a trial basis should be energetically pursued and that, within the discussion on the required future functions of UNIDO country offices, the possible combination of the Investment Promotion Service and UCD functions should be assessed. He noted with interest that a team of international consultants was to visit a number of selected countries in several developing regions and assess the needs for services to be rendered by UNIDO country offices. The task was extremely ambitious and his delegation looked forward to learning the results of the exercise at the next PBC session. On the question of financing, every effort should be made to find the required resources within the existing budgetary ceiling, without resorting to an increase in the regular budget for the next biennium.

19. Mr. UTOMO (Observer for Indonesia) said that although the cash situation of the regular budget was reported stable, his delegation noted with concern the continued trend of low collection in 1994 since it might adversely affect the cash flow of the Organization's regular budget in the ensuing months. While it was encouraging to note that the collection rate was improving as of October 1994, the availability of cash resources from collection of assessed contributions in respect of the previous year should not be relied on. Meanwhile, the anticipated unspent regular budget resulting from a higher vacancy factor and other savings could be utilized for priority programmes and activities in the 1994-1995 biennium, such as field representation, the least developed countries, small- and medium-scale industry, investment and technology, and environment and energy.

20. With regard to the medium-term plan for 1996-2001, his delegation supported the Director-General's proposal that it should serve as the main framework for the biennial work programme, and that it should be renamed "medium-term programme framework".

21. The development objectives and special considerations described in document IDB.13/19 were consistent with the five priority problem areas of the previous plan as directed by the General Conference. Knowing how difficult it was to discern socio-economic and industrial prospects in a setting of rapid global change, his delegation could accept the proposal to focus the medium-term plan on its first four years.

22. The UNIDO Country Directors could play an important part in communication between the Organization and recipient Governments both in technical cooperation projects and in project identification, a function enhanced by their familiarity with local situations in developing countries. In view of the potential suspension of UNDP funding, the proposal to secure minimum

resources under the regular budget to finance UCD offices was worth considering. Even though resources might be lacking to maintain the current level, the existence of a limited number of UCD offices would be beneficial to developing countries. His delegation also noted with appreciation that, despite its financial constraints, UNIDO had managed to maintain the level of 39 field offices in 1993 through a combination of funding sources. It further welcomed the idea of deploying headquarters staff and employing national directors as UCDs to fill some of the vacant posts, which would be beneficial in terms of cost reduction and familiarity with procedures.

23. His delegation agreed with the view that greater transparency was of prime importance in UNIDO's activities, particularly with regard to technical cooperation projects. Involvement of the permanent missions in Vienna could expedite the implementation of technical cooperation projects.

24. Mr. CAMILLERI (Observer for Malta) said that some donor countries were dissatisfied with the way their contributions were used, while the less developed countries kept asking for more assistance. That was neither a new phenomenon nor one confined to UNIDO. However, UNIDO's work continued to be of great benefit to the economic development process involving the public and private sectors alike.

25. There was a general consensus that teaching people to produce was preferable to supplying them with the product. It was gratifying that UNIDO adhered to that philosophy not only in its traditional assistance covering agriculture, education, small and medium-sized enterprises and infrastructural services, but also in such areas as privatization, particularly in the former centrally planned economies where it was considered essential to their move towards market-oriented economies.

26. At the recent Cairo International Conference on Population and Development, the emphasis had been on expanding education, particularly of women, and on the moral obligation to transfer know-how and expertise to poor countries with a high population growth rate. Education, better health facilities, industrial development, restructuring of existing manufacturing enterprises and the development of the primary industrial sectors had been identified as the main objectives of future programmes by the United Nations Fund for Population Activities (UNFPA). Those objectives were equally applicable to UNIDO. He believed that savings in administrative areas could release thousands of dollars that could be assigned to the beneficial work of the Organization.

27. Having profited in the past from UNIDO's technology transfer activities, with generous contributions from donors, Malta was now in a position to be of some assistance to other countries and hoped to be able to explore that possibility with the Secretariat in the near future.

28. Mr. EL HUSSEIN (Sudan) took the Chair.

29. Ms. EL DIRDIRI (Sudan) expressed satisfaction with the implementation by UNIDO of its very significant programmes in the Sudan. As part of its current restructuring, her country was mobilizing its full potential in industry and seeking to rehabilitate all economic, social and industrial sectors. That strategy was intended to find new opportunities and jobs in small and medium-sized enterprises, and an all-out drive against underemployment had been embarked upon. It was to be hoped that UNIDO would assist in such programmes, especially those pertaining to industrial development.

30. The Sudan needed to liberalize its trade and attract foreign exchange. It had managed to privatize many public enterprises with UNIDO's help, and saw industrial development as a crucial factor. It hoped to allocate a large proportion of its available resources to industrial development. It hoped that UNIDO would set up more regional offices. She hoped that the restructuring programmes and reforms under way in UNIDO would help the developing countries, and appealed to financing agencies to make more resources available to UNIDO's regional offices.

31. The many problems still facing the Sudan in its restructuring efforts included foreign debt and shortage of foreign exchange. Industrialization might help the Sudan to service and reschedule its debt. The country should be concentrating on the most important industrialization programmes.

32. UNIDO should seek to promote restructuring and industrialization in the least developed countries. With regard to restructuring, more equitable geographical distribution was needed in the Secretariat, without prejudice to qualification requirements.

33. Mr. MAYRHOFER-GRUNBUHEL (Austria) said that Austria's voice had been little heard during the present Board session, not because of any lack of interest on its part, but because it was already working within the framework of the European Union, to which it was expected to accede on 1 January 1995.

34. Austria was optimistic about UNIDO's future and convinced of its mission and place within the United Nations system. The Director-General was heading in the right direction, his personal dedication was unquestioned and he was making genuine efforts to advance the reform of the Organization in accordance with the somewhat unclear guidelines set by Member States. Owing to the financial strait-jacket in which UNIDO was currently placed, however, his freedom of movement was limited. Austria therefore appealed to all Member States to pay their contributions in full and in time. Countries generous in their advice to the Director-General should back it up by honouring the financial commitments they had undertaken; the Organization could not exist on words alone. However, Member States should resist the temptation to get involved in the micro-management of the Organization. Following the reform, it was important for UNIDO to maintain a continuing dialogue with the permanent missions to explain past actions and future plans. It was not sufficient to consult Member States two or three times a year. Maintaining such a dialogue would be time-consuming; to ensure success a strong team would have to be forged to support the Director-General. Given his many duties, which included extensive travel, the absence of a deputy and basic management requirements, it was imperative that his managing directors should work closely as a team, fully involved in policy formulation under the Director-General's leadership and strongly supporting him in their endeavours. It

was also essential that the Director-General's Office should provide strong support and facilitate teamwork.

35. Each session of the Board was addressed by the staff representative. It was important that the Board listen to the staff's point of view and heed their concerns. Only thus could the staff be expected to give of their best, especially under present circumstances. Now that the painful process of reform was largely behind the Organization, he appealed to the staff to throw their weight behind the Director-General and his senior management. The unity of purpose referred to by the President of the Staff Council was not always apparent. Supporting the Director-General in his reform efforts was the best investment staff could make in their own future.

36. Support, of course, was a two-way process. Although the Organization had to use modern management techniques, his delegation considered that UNIDO had adequate human resources; there was no need to dismiss or replace staff but rather to inspire them to give of their best. Although results could not be expected overnight, the task required immediate attention. In view of the pressure of time, there was a need for both representatives of Member States and UNIDO staff to work together with the Director-General to shape a new UNIDO that would serve as an effective tool to assist countries in the process of development or transformation, in accordance with their needs and wishes.

37. Mr. DE MARIA e CAMPOS (Director-General) thanked members for their comments and said that the Board, together with the General Conference, provided a good opportunity for discussion of the progress being made by the Organization and for receiving guidelines for future work. The process of reform was beginning. As had been decided at Yaounde, the Organization was giving greater attention to helping developing countries, and economies in transition, to achieve international competitiveness to build a strong industrial sector. What was demanded from UNIDO was relevance, cost-efficiency and quality services; he and his staff were making every effort to meet those demands. Nevertheless, the Organization's efforts were limited by the lack of financial resources - and he referred not just to assessed contributions to the regular budget but also to support for the reform process and the additional resources needed for technical cooperation.

38. Much was said about the need for equitable geographical representation. He was fully committed to that principle and was making every endeavour to implement it. However, with income diminishing, it was difficult to embark on further recruitment. He urged those Member States seeking greater representation and looking for a stronger UNIDO to support the Organization financially. At the same time, the Secretariat was trying to improve communications and dialogue with Member States. But he urged Member States to trust the Secretariat and not to try to engage in micro-management.

39. He was making every effort to strengthen co-ordination within the Secretariat. Ways were being sought to improve management and coordination mechanisms. Good relations were maintained with the Staff Council and he kept the staff regularly informed.

40. Support had just been expressed by the various groups of countries in the United Nations General Assembly for the reform process taking place in UNIDO. He hoped that the Board would provide UNIDO with the support it needed to become a stronger and more effective Organization.

41. Mr. VAN RAALTE (Managing Director, Division of Administration), replying to observations made in the debate, welcomed the support shown by several members for the plea that assessed contributions should be made regularly and on a timely basis, including arrears. That was perhaps the single most important action Member States could take to improve the Organization's financial situation. He was also grateful for the voluntary contributions pledged by a number of Member States. He welcomed the recognition given to the Organization's efforts to address the recommendations of the External Auditors. The internal committees set up by the Director-General would continue to monitor those efforts regularly, in the light of the observations and recommendations of the new External Auditors. Progress would be reported to the Programme and Budget Committee and the Board. It was gratifying that several Member States had found the report on the scope and content of the operational budget and its relation to the regular budget useful. The allocation to programmes of resources under the two budgets was currently somewhat arbitrary, but action would be taken to rationalize it in the 1996-1997 programme and budget. Steps were also being taken to initiate a process of cost measurement and cost accounting, but it would take time to complete.

42. With regard to home leave, the travel entitlement recognized in the majority of the organizations of the common system was 100 per cent of the air economy fare. The lump-sum option was a way of satisfying the entitlement at a lower cost; essentially, it involved giving staff members less than 100 per cent and splitting the resulting savings with them. A percentage was needed that would maximize the savings for UNIDO while still providing a sufficient incentive for staff members to choose the lump-sum option. If the modest benefits to staff members were reduced too much, fewer would choose the option; the right balance had to be struck. The decision as to that balance, and on the whole question of home leave and travel entitlements, was one that should be left to the Director-General, as laid down in the Constitution and the Staff Regulations (regulation 13.4), although guidance from Member States was always welcome. An effort to harmonize the formula throughout the United Nations system, as suggested by Japan, had already been attempted in the past by the Consultative Committee on Administrative Questions (CCAQ) and had proved unworkable because of varying situations. The study of the question was virtually complete and merely awaited finalization of consultations with IAEA and with the Staff Council. It was expected that the 1 January 1995 deadline set by the Programme and Budget Committee for any revisions would be met.

43. With regard to staff, a transparent and fair personnel system, recruiting and retaining the best and brightest, was as essential for UNIDO as for any other organization. Two expert consultants, one familiar with the United Nations system and the other from the private sector, had been recruited to provide an objective assessment of present recruitment, promotion and career

development practices. Their recommendations should be available before the end of the year. The vacant position in the Integration of Women in Industrial Development Unit was expected to be filled soon. The question of workload allocation and a possible independent Staff Inspection Unit were being addressed by the two consultants mentioned.

44. With regard to the question concerning the staff reduction exercise, it had been mandated by the Programme and Budget Committee. Painful and difficult as the effort was, it had eventually resulted in all separating staff members signing an agreement of termination, under terms which they, including the former staff member from Panama, had presumably found acceptable. The case of that staff member, and several others, were pending before the Tribunal; it would therefore not be appropriate to comment further on them.

45. As the Hungarian delegation had pointed out, the vacancy rate was higher in the technical divisions than in some of the support ones. The reason was the difficulty of finding and recruiting experts in some of the highly technical fields concerned. Efforts to do so were, however, continuing. At present some 14 Professional posts were under active recruitment for the technical divisions, and seven more were being prepared for recruitment. In most cases the posts were being advertised outside the Organization. The External Auditors had been examining the reorganization and the staff reduction exercise and cost figures were available from them.

46. With regard to the comments made on the proposal to replace the telephone system, there were two options available, one to join IAEA in commercial procurement of a new system and the other to connect to the existing expanded system of UNOV, which had enough unused capacity to meet UNIDO's needs. Commercial procurement jointly with IAEA was expected to cost between $1 million and $1.5 million. If that estimate was correct, $1 million would be committed during the present biennium and the remainder in the following budget. The UNOV option would be less expensive, under $1 million. The main reason for replacing the existing system was to acquire one that was more efficient and cost-effective, reducing the number of switchboard staff and giving better access at lower cost to the United Nations world-wide network and its direct lines overseas. Replacement of the telephone system was a matter of urgency because it was threatening to break down. Should the proposal fail to gain the Board's approval, the opportunity for UNIDO to join the IAEA or UNOV systems as they moved ahead would be missed and a higher price might have to be paid for the inevitable replacement of the facility later. With regard to reporting, the Secretariat could report periodically to the missions at Vienna and to the Board and the Programme and Budget Committee as requested.

47. Mr. DEROY (Managing Director, Mobilization and Management of Financial Resources Division), replying to questions and comments, said that 62 projects had been submitted by UNIDO to donors since the beginning of the year. By the end of the year, 58 projects were expected to receive financial approval. That high level of approvals, one of the best ever attained in UNIDO, was a clear reflection of the quality of the projects concerned. It should be noted, however, that, although the projects had been approved, the funds would not actually be disbursed immediately but in a two- or three-year period, the normal time period for technical cooperation projects.

48. With regard to the comment made by the representative of the European Union on the evaluation relating to special trust funds, the results could certainly be presented within the framework of a meeting to be held in Vienna and possibly even in Geneva, as had been done in other cases.

49. Mr. MUEGGE (Director, Strategic Planning Office) welcomed the broad support given by representatives to the medium-term plan for 1996-2001 as presented and the proposal to change the duration of future plans. Specific objectives and priorities could be included in the 1996-1997 programme and budget. Regarding the attention given to ECDC/TCDC, ECDC/TCDC was included in the fifth development objective of the plan (IDB.13/10, paras. 103-114). However, ECDC/TCDC would be given special attention in all relevant UNIDO programmes.

50. Regarding the issue of women in industry, it was also difficult to give that issue full justice in such a report. It had been decided not to give repeated references to the issue under each objective but to group them under a single heading. The intention had been to indicate that women's issues entered into all aspects of UNIDO's work and cut across all activities and services. Every effort was being made to ensure that staff were fully aware of gender issues. In September 1994, a workshop on integration of gender issues in industry had been held for middle management and members of the PPRC. Another would be held in December 1994. Internal seminars were also held on various issues such as representation of women in industry. Disaggregated statistics were being compiled to give gender-specific data, such as the number of female employees in each industry within the manufacturing sector. Attempts were also being made to collect wage and salary statistics by gender, although such figures were not available from all countries.

51. With regard to the UNIDO Country Director programme, which had received broad endorsement from the Board, the support for using some of the regular budget savings in the current biennium to maintain that programme had been noted. He agreed that systematic review of the long-term costs and financing options was needed as well as a more permanent solution to the problem. The memorandum of understanding with UNDP was currently under review and a report on the matter would be made to the next session of the Programme and Budget Committee. As had been noted, UCDs were well placed not only to liaise with national bodies in their country of location but also to maintain contacts with regional bodies there. There was thus a need, as a number of representatives had pointed out, for field representation within the United Nations system to be coordinated. Agreement had recently been reached on the appointment of a UCD in Manila. A further report would be made to the next session of the Programme and Budget Committee.

52. Mr. ARCILLA (Philippines) said his delegation welcomed the fact that the Secretariat would endeavour to meet the deadline of 1 January 1995 for modifying the home leave arrangements. Reference had been made to the common system, which he understood to be the United Nations system. United Nations entitlements were for home leave every two years - but the implementation of those entitlements was not uniform throughout the system. The Secretarat had indicated that the entitlement was 100 per cent - presumably of air fare in economy class. In 1989, UNIDO's External Auditor had pointed out that the

entitlement to 80 per cent of economy-class fare, as had been the practice at that time, deviated from the provisions of the interoffice memorandum dated 26 June 1987 concerning home leave and family visits. His delegation firmly believed that the staff of UNIDO and of other organizations, with headquarters in Vienna should not be disadvantaged in comparison with other United Nations bodies. The Organization should furnish the full air fare for home leave and not seek to make financial gains from such arrangements.

53. Concerning the proposed reallocation of $1 million for the telephone system, he felt that the time was not really ripe for such a measure. UNIDO was literally struggling for existence and there was a shortage of funding for priority activities. He queried whether IAEA's governing body had actually taken a decision to install a new telephone system and wished to know whether it was not the obligation of the host country to fund such renovations.

54. Mr. DE MARIA Y CAMPOS (Director-General) assured the Philippine delegation that all of its comments and concerns would be duly taken into account. Concerning the proposed installation of telephone equipment, he said it was seen as something that could produce significant savings, a goal which Member States had often exhorted the Organization to pursue.

55. Mr. VAN RAALTE (Managing Director, Division of Administration) said that the Board of Governors of IAEA had approved the installation of new telephone equipment and that the acquisition of such equipment was already being pursued. He had engaged very recently in discussions with representatives of the Government of Austria on the installation of a new telephone system, during which it had become clear that that Government would not finance such a measure.

MATTERS RELATING TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

56. The PRESIDENT said the information provided in the annotated agenda (IDB.13/1/Rev.1/Add.1) concerning intergovernmental, non-governmental, governmental and other organizations was still valid: the Secretariat had received no requests or applications from such organizations that would require action by the Board. However, it had received communications concerning name changes for three non-governmental organizations, all of which had had consultative status with UNIDO since October 1986. The Institute for the Development of International Cooperation had changed its name to International Forum; the Islamic Chamber of Commerce, Industry and Commodity Exchange had been renamed the Islamic Chamber of Commerce and Industry; and the World Assembly of Small and Medium Enterprises had become the World Association for Small and Medium Enterprises. He suggested that the Board take note of the new names of those organizations.

57. It was so decided.

58. Mr. EZZAT (Egypt) said his delegation welcomed the contribution made by the Secretariat to the preparations for the eleventh meeting of the Arab Industrial Development and Mining Organization, held at Rabat from 20 to 24 June 1994. At that meeting, a resolution had been adopted on cooperation between the Organization and UNIDO with a view to carrying out joint activities and establishing priorities for a special programme for industrial development in Arab countries and for cooperation with ESCWA. His delegation hoped the Secretariat would take steps to increase UNIDO's cooperation with the Organization and to intensify the work of joint technical committees, especially in relation to projects to foster industry in Palestine. It was to be hoped that the Secretariat would increase the number of UCDs in Arab countries.

59. Mr. HEZZAD (League of Arab States) said he wished to thank the Director-General and the Secretariat on behalf of the Secretary-General of the League of Arab States for UNIDO's constructive involvement in the preparation and conclusion of a cooperation agreement between the two organizations. The League of Arab States looked forward to working closely with UNIDO in a number of areas. Both parties must now take steps to translate the agreement into specific projects to benefit the Arab States in various fields, including development of technology, regional and industrial development, technical assistance for industry and industrial research and training.

JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICES (IDB.13/17, IDB.13/31)

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (IDB.13/26, IDB.13/31)

ADMINISTRATIVE MATTERS

(a) JOINT INSPECTION UNIT

(b) INTERNATIONAL CIVIL SERVICE COMMISSION

(c) UNITED NATIONS JOINT STAFF PENSION FUND (IDB.13/18, IDB.13/23 and Add.1, IDB.13/31)

60. Mr. VAN RAALTE (Managing Director, Division of Administraton), introducing item 8 "Joint United Nations/UNIDO conference services", said that, as requested by the General Conference, UNIDO had taken steps to finalize with the United Nations the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna, effective 1 January 1995.

61. According to the new arrangements, UNIDO would receive from UNOV a whole range of documentation services that were currently provided by UNIDO's Languages and Documentation Service. The transfer of that Service would entail no additional cost for UNIDO. The Organization would be charged for translation services according to an established unit rate and not, as was currently the case, according to the proportion of UNIDO documentation in the total workload processed by the Languages and Documentation Service. The new system would open the way to better financial control, and savings would be made by reducing the volume of documentation where possible. UNIDO would still be in a position to take advantage, where feasible, of more economical ways of processing documentation such as contractual translation. A similar cost-sharing formula based on a unit rate was expected to be introduced for editing, reproduction, distribution and other operations involved in document processing.

62. The new unified conference services under UNOV's administration would benefit from being part of the world-wide United Nations conference

servicing system. Work could be shifted among duty stations, optimizing the use of established capacity and reducing requirements for costly temporary assistance. The United Nations planned to start employing modern word-processing equipment in 1995 which would further improve documentation services. The agreement between the United Nations and UNIDO provided that all staff currently working in UNIDO's Languages and Documentation Service would be transferred to UNOV administration, without detriment to their acquired rights and contractual status. The arrangements were to be periodically reviewed and adjusted, thereby providing UNIDO with the necessary control and flexibility. There was every reason to expect that the transfer of administrative responsibility for conference services would go through as planned on 1 January 1995.

63. Regarding item 9, "Headquarters agreement between UNIDO and the Republic of Austria", delegations had before them a report by the Director-General in document IDB.13/26. In July 1994, it had been agreed that negotiations with the Austrian authorities would be conducted in a coordinated manner by UNIDO and the United Nations, which was working on a text for a headquarters agreement virtually identical to that of UNIDO. A meeting was scheduled for the week of 21 November 1994 to discuss outstanding issues in UNIDO's headquarters agreement. The meeting would be conducted trilaterally, with the participation of the Government of Austria, the United Nations, and UNIDO.

64. Turning to subitems (b) and (c) of item 10, concerning the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Fund, he said that as an organization within the United Nations common system, and in accordance with Article 11.5 of the Constitution, UNIDO made sure that the conditions of service for its staff complied with General Assembly resolutions adopted on the recommendations of ICSC. Document IDB.13/18 outlined the amendments made to certain schedules and annexes to the Staff Regulations to bring them into conformity with decisions taken by the General Assembly on salaries and other allowances. The document also outlined recent resolutions on the status of women in the United Nations system: UNIDO would submit to the Board at its fourteenth session a progress report on the status of women in the UNIDO Secretariat.

65. In relation to pension matters, document IDB.13/18 also reported on pensionable remuneration of staff in the General Service and related categories and on recent changes in the representation of the UNIDO governing body on the UNIDO Staff Pension Committee. The recommendations of the forty-sixth session of the Pension Board were currently before the General Assembly and, if approved, would become effective on 1 July 1995. The International Centre for Genetic Engineering and Biotechnology had submitted its staff rules and regulations to the Pension Board, paving the way for admission to the Pension Fund in 1996.

66. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, referring to document IDB.13/23 on the Joint Inspection Unit (JIU), commended UNIDO for its support for JIU's view that non-governmental organizations were an important partner in the development process, especially in the industrial sector. UNIDO should focus its activities on institutions such as industrial associations, chambers of commerce and technological institutes - the distortion introduced by local competition could be significantly reduced. In providing support for science and technology in Africa, the United Nations must focus on the creation, strengthening and networking of institutions. Linkages between the institutional and productive sectors must likewise be pursued and strengthened. His delegation welcomed the fact that UNIDO had now established a harmonized conceptual framework for the development of technological capabilities. Communication was an important aspect of all development cooperation activities, and national efforts must be carried out in a spirit of cooperation.

67. His delegation supported JIU's suggestion that UNDP and the specialized agencies seriously consider consolidating their field offices under one United Nations roof. He welcomed the fact that UNIDO had taken the lead by integrating the UCDs into the offices of the UNDP Resident Representatives. The European Union had always supported the consolidation of the four oversight offices within the United Nations Secretariat into one entity under the supervision of an Under-Secretary-General. UNIDO might be well advised to follow that example. A strengthened oversight office would provide strong stimulus for the full implementation of reform efforts and promote improved management. Any such change could and should be made without reopening discussion on UNIDO's organizational structure and carried out without budgetary implications.

68. With regard to personnel matters, his delegation fully endorsed any effort that would result in a strengthening of the common system and opposed any action that would undermine it. UNIDO must pursue its efforts to achieve gender equality. All measures that would enhance UNIDO's performance appraisal system were worthy of support - such measures should be applicable at all levels of the Organization and comprise firm sanctions for poor performance.

69. His delegation welcomed the news about the transfer of administrative responsibility for conference services from UNIDO to UNOV. It would be interested to hear whether the transfer would result in any savings for UNIDO and, if not, why not.

70. Mr. DE MARIA Y CAMPOS (Director-General) introduced the new Head of the Legal Service, Mr. Yusuf, to the Board.

71. In reply to the representative of Germany speaking on behalf of the European Union and Austria, he pointed out that efforts were being made within the United Nations system to establish a harmonized conceptual framework for the development of technological capabilities. In coordination with other organizations, such as UNDP and UNESCO, UNIDO had formulated a number of new ideas, which he hoped to present to the Board shortly. The purpose of all such efforts was to enhance the Organization's role and improve all aspects of its cooperation activities, bearing in mind the crucial importance of national execution and the development of local capabilities.

72. The Secretariat was determined to work as closely as possible with the Joint Inspection Unit, giving special emphasis to the need to strengthen internal auditing. The unit concerned

was performing excellent work but needed to be strengthened; support from Member States for that purpose would be welcome. Naturally, it was an area that required complete independence and neutrality. Together with the external auditors, the internal auditing unit should help to steer UNIDO towards much greater accountability. Similar importance attached to the evaluation function, which provided essential feedback for policy development, strategic planning and everyday work.

73. He had listened with interest to the suggestion that oversight functions might be consolidated in one entity in the close vicinity of the Director-General, under the supervision of a D-2 appointee. It was an idea that deserved study, since he realized that despite great progress over the preceding year, much still remained to be done. He certainly wished to strengthen the Office of the Director-General and ensure an even greater degree of coordination. The proposal was not without its difficulties, however, and would require detailed study.

74. Mr. VAN RAALTE (Managing Director, Division of Administration) said that progress towards gender equality had been satisfactory, although the targets had not yet been reached. A special effort would continue to be made. A performance appraisal system was also of the highest importance and would be included among the tasks of the two consultants to whom he had referred earlier.

75. Savings were expected as a result of the merger of the Languages and Documentation Service through better control of the volume of documentation, but it was difficult to quantify them at the present stage. It could be stated with confidence, however, that there would be no incremental costs.

76. Mr. ARCILLA (Philippines), referring to the proposal by the European Union and Austria to establish a D-2 post with responsibility for oversight, said that he would not encourage the Director-General to spend more time than was necessary on studying the matter, since his country, for one, had very serious reservations on it. UNIDO had been going through a lengthy restructuring exercise, and the creation of a post of the kind referred to would only lead to further delay. At the present time, the Organization had eight managing directors at D-2 level; the appointment of yet another, acting as primus inter pares, would amount to creating a further layer of bureaucracy. An under-secretary-general fulfilling a similar function in New York was more justifiable because of the much larger size of the United Nations Secretariat, numbering some 13,000 staff members.

77. Mr. DE MARIA Y CAMPOS (Director-General) thanked the representative of the Philippines for his comment and pointed out that by early January next year he hoped to be able to outline the measures he had taken to strengthen the Organization and his own Office. The proposal made on behalf of the European Union and Austria had its complexities, not least the claim that it could be carried out without budgetary implications and without increasing the number of D-2s, but he was always open to constructive suggestions. Unfortunately, it was not always possible to introduce all the changes one might like. In any event, it was clear that everybody's chief concern was to strengthen the management of UNIDO and introduce greater accountability.

PREPARATIONS FOR THE SIXTH SESSION OF THE GENERAL CONFERENCE (IDB.13/14)

78. Mr. DE MARIA Y CAMPOS (Director-General) recalled that, as decided by the General Conference at its fifth session, the next session of the Conference would be held in Vienna from 4 to 8 December 1995 at the Austria Center, where reservations had already been made. In conformity with article 9.4 (g) of the Constitution, it was the Board's task to prepare the provisional agenda; to help it in its work, a list of items was included in annex II of document IDB.13/14. Most of them came in response to mandates emanating either from the rules of procedure of the General Conference or from decisions taken by the Conference itself or the Board. Other items reflected the priorities of the draft medium-term plan. The grouping of items followed the priority areas of the revised draft medium-term plan 1996-2001, as recommended in General Conference resolution GC.4/Res.26.

79. He was giving some thought to the holding, immediately before the Conference, of a high-level expert meeting with representatives from all regions to discuss the challenges of industrialization in the coming years. He hoped that such basic issues as competitiveness, technology, employment problems and natural resources, which were of common concern to countries from all regions, would be taken up. Close consultations would be held with Member States on that subject and he would inform the Board at its next session of any further developments. In his view, the task of building a global industrial partnership and ensuring the development of all regions required discussion at the sort of high-level forum he was proposing and he was pleased to report that offers had already been received to host such a gathering.

80. Mr. SSENDAULA (Uganda), speaking on behalf of the African Group, said that while the Group recognized that the Uruguay Round agreements would bring about a steady liberalization of global trade, it wished to emphasize that the short-term impact was likely to be negative for a number of African countries, particularly those importing essential food requirements - a fact highlighted at the recent International Conference on the Implications of the Uruguay Round agreements held at Tunis in October 1994. UNIDO's role in that Conference had been particularly appreciated. The process of adjustment to a liberalized trade regime would also pose serious difficulties for most African countries, which would need to undertake a major reorientation of their industrial strategies and programmes in order to strengthen the agro-industrial sector and move towards increased processing of raw materials and exports of manufactured goods. A radical transformation would be needed before most African countries could join the mainstream of global trade and investment and technology flows. Apart from becoming internationally competitive and export-oriented, the agro-processing industries in Africa must also generate employment. At the same time, industrial growth had to be closely integrated with food security and increased agricultural production, together with industrial linkages with rural regions through small- and medium-scale industries and micro-enterprises.

81. UNIDO could and must play a major role in the reorientation of industrial strategies and programmes in the African countries. It had been noted with appreciation that the Director-General

was giving high priority to Africa and had initiated a series of industrial sector review missions. While UNIDO's ten-point programme for African countries and the provisions of the Mauritius Declaration of 1993 were still fully valid, further reorientation of industrial strategies for Africa had to take the Uruguay Round agreements into full account. International competitiveness and enhanced export capabilities were a key objective for African enterprises in industrial subsectors where particular countries had a relative comparative advantage.

82. The African Group considered that industrial rehabilitation, improvement in capacity utilization and an overall increase in industrial output would be expedited if the problems of high debt and debt servicing were confronted and resolved. It noted the continued interest of UNIDO in the matter and stressed that debt reduction and write-off would ensure a rapid return to sustained economic growth. In that connection, the African countries drew attention to the decision taken in Mauritius in May 1993 by the Conference of African Ministers of Industry and encouraged UNIDO and all Member States to redouble their efforts in that direction.

83. Lastly, the African Group welcomed recent developments in South Africa, where apartheid had finally been replaced by a fully democratic and non-racist constitutional dispensation. It applauded South Africa for that achievement and looked forward to the day when South African industrial knowledge and skills would be shared with other countries in UNIDO.

84. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, said that the grouping of items proposed in annex II of document IDB.13/14 was an important step in the right direction. Being convinced that a number of items of the traditional agenda were to a large extent of a ritual nature, as indeed were many of the resolutions adopted on them, he believed that concentration on areas where the policy-making organs, and in particular the General Conference, could have a genuine operational impact, would save a great deal of work. It also seemed likely that the burden of the Secretariat could be alleviated by requesting less ample documentation. Within the context of the present reform process he therefore suggested that steps be taken to reform the way in which the policy-making organs worked. For that purpose he invited the Director-General to arrange for a meeting between interested Member States from all regional groups and members of the Secretariat to prepare for the next session of the Board a proposal for an even more concise and focused agenda for the sixth session of the General Conference.

85. Mr. AL-GHAIS (Kuwait), speaking on behalf of the Asian Group, recalled General Conference resolution GC.5/Res.14 on the Special Programme for the Industrial Development of Asia and the Pacific, paragraph 2 (f) of which requested the Director-General to organize, within available resources, a regional meeting in 1995 to consider UNIDO activities and measures to promote industrialization in the region, in cooperation with the Economic and Social Commission for Asia and the Pacific (ESCAP) and interested regional organizations and Governments. The Group considered that such a meeting would be extremely useful, yielding best results if thorough preparations were made well in advance. He therefore proposed that the Asian Group should convene in Vienna as a preparatory committee in order to work out arrangements for the meeting, in cooperation with the Secretariat.

86. The Asia and the Pacific region faced both challenges and opportunities in the field of industrialization, which could be a powerful instrument for tackling the problems of social development, poverty and basic human needs, as well as environmental degradation. The great potential for regional industrial cooperation still remained to be harnessed, while competitiveness had to be strengthened. Furthermore, the recommendations of the Meeting of Ministers of Industry and Technology of ESCAP, held at Tehran on 28 and 29 June 1992, as contained in the Tehran Declaration, needed to be followed up, particularly in the areas of relevance to UNIDO's new development objectives and priorities. By focusing on those themes, the meeting should be able to arrive at a regional, action-oriented approach.

87. Mr. DE MARIA Y CAMPOS (Director-General), after thanking the African Group for a substantive contribution to the work of the session, said that the Secretariat was well aware of the challenge facing the African countries and more particularly the least developed among them. That was why special attention had been given to the Tunis Conference. Work was nearly finished on a new and more sharply focused strategy for industrialization in Africa, taking into account both the objectives and priorities established at Yaoundé and the particular needs of individual countries. A series of meetings had been held and it was hoped that, with the support of the meeting of the Conference of African Ministers of Industry to be held in Botswana and in coordination with the African Development Bank, the Economic Commission for Africa and the Organization of African Unity, a much more effective programme would finally emerge. With the necessary political will and commitment on the part of the African countries themselves, he hoped that it would be possible to attract the support of donor countries for an action that was so urgently needed.

88. He welcomed the ideas put forward by the representative of Germany on behalf of the European Union and Austria concerning ways of improving the general efficiency of the work of UNIDO's policy-making organs. He supported the idea of holding an informal meeting early in 1995 for the purposes described, to which all interested Member States would be invited.

89. In reply to the suggestion made by the representative of Kuwait on behalf of the Asian Group, he said that the Secretariat had already been looking into ways of supporting a regional meeting in Asia, for which the General Conference had given a clear mandate. In the context of efforts to improve communication he looked forward to discussions with the Asian Group on arrangements for the meeting, which he regarded as part of the preparations for the sixth session of the Conference.

The meeting rose at 1.10 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 11 November 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 3.45 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.13/L.2, IDB.13/L.3 and Add.1, IDB.13/L.4-L.27)

1. The PRESIDENT said that agenda items 3-10 and 12-14 were still open for the adoption of decisions. A number of draft decisions, which had all been discussed in the informal consultations held with the aim of facilitating the drafting of decisions, were now before the Board for consideration (IDB.13/L.2-L.27)

2. Mrs. OK (Turkey), speaking as chairman of the informal consultations, informed the Board that the group had adopted 25 of the texts before it. It had been unable to reach consensus on only one text, draft decision IDB.13/L.16 on item 5 (b), "Financial situation of UNIDO", and 5 (c), "Medium-term plan, 1996-2001 (including implementation of resolution GC.5/Res.1)", on which one Member State had been unable to agree. One paragraph of the text concerned consequently appeared in square brackets.

3. The PRESIDENT said that the draft decisions approved in the informal consultations had been brought to his attention by the chairman of the consultations and that he was in turn submitting them to the Board as his drafts.

UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.13/27 and Corr.1, IDB.13/31; IDB.13/CRP.1; IDB.13/L.27)

4. The PRESIDENT drew the Board's attention to draft decision IDB.13/L.27.

5. The draft decision was adopted.

6. Mr. OCHOA (Venezuela), speaking on behalf of the Group of 77, said, with reference to the decision just adopted, that the Group appreciated the efforts made by the Director-General to revitalize UNIDO, reaffirmed its support for UNIDO and called on all Member States to extend full political, financial and technical support to the Organization.

7. It had noted with concern that some donor countries had expressed uncertainty about their commitment to UNIDO. It hoped that that trend, which could seriously threaten the spirit and structure of North-South cooperation, could be reversed in future.

8. It also wished to reiterate the request it had made to the Director-General at the previous session (IDB.12/SR.6, para. 20) to ensure that the representation of developing countries at the D-2 (Managing Director) level was maintained at four posts. It had been disappointed to note the temporary imbalance at the D-2 level and urged the Director-General to correct it as soon as possible. The balance was of particular importance in view of UNIDO's mandate to promote the industrial development of developing countries. It asked the Director-General to try to improve the representation of developing countries and especially of women from developing countries in the Secretariat.

PROGRESS REPORT FOR 1994 ON SPECIFIC UNIDO ACTIVITIES, IN PARTICULAR:

(a) HUMAN RESOURCE DEVELOPMENT

(b) DEVELOPMENT AND TRANSFER OF TECHNOLOGY

(c) INDUSTRIAL REHABILITATION AND MODERNIZATION

(d) SMALL- AND MEDIUM-SCALE INDUSTRIES

(e) ENVIRONMENT, ENERGY AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

(f) INDUSTRIAL INVESTMENT PROMOTION

(g) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (continued) (IDB.13/12 and Add.1; IDB.13/L.2-L.8)

9. The PRESIDENT drew attention to draft decision IDB.13/L.2 on human resource development.

10. The draft decision was adopted.

11. The PRESIDENT drew attention to draft decision IDB.13/L.3 on development and transfer of technology.

12. The draft decision was adopted.

13. The PRESIDENT drew attention to draft decision IDB.13/L.4 on industrial rehabilitation and modernization.

14. The draft decision was adopted.

15. The PRESIDENT drew attention to draft decision IDB.13/L.5 on small- and medium-scale industries.

16. The draft decision was adopted.

17. The PRESIDENT drew attention to draft decision IDB.13/L.6 on environment, energy and sustainable industrial development.

18. The draft decision was adopted.

19. The PRESIDENT drew attention to draft decision IDB.13/L.8 on industrial investment promotion.

20. The draft decision was adopted.

21. The PRESIDENT drew attention to draft decision IDB.13/L.7 on the integration of women in industrial development.

22. The draft decision was adopted.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

(b) FINANCIAL SITUATION OF UNIDO

(c) MEDIUM-TERM PLAN, 1996-2001 (INCLUDING IMPLEMENTATION OF RESOLUTION GC.5/RES.1)

(d) UNIDO-ADMINISTERED FUNDS

(i) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING

(ii) INDUSTRIAL DEVELOPMENT FUND

(iii) IN-DEPTH EVALUATION OF SPECIAL TRUST FUND PROJECTS

(e) UNIDO COUNTRY DIRECTOR PROGRAMME

(f) ACCOUNTING STANDARDS

(g) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB/13/CRP.6; IDB.13/L.13-L.15, L.17-L.21)

23. The PRESIDENT drew attention to draft decision IDB.13/L.13 on sub-item (a), "Report of the External Auditor, financial performance report and programme performance report for the biennium 1992-1993".

24. The draft decision was adopted.

25. The PRESIDENT said that the first draft decision on sub-item (b) was draft decision IDB.13/L.14, entitled "Financial situation of UNIDO".

26. The draft decision was adopted.

27. The PRESIDENT drew attention to draft decision IDB.13/L.15 on losses related to small catering items.

28. The draft decision was adopted.

29. The PRESIDENT drew attention to draft decision IDB.13/L.17 on the replacement of the telephone system.

30. The draft decision was adopted.

31. Mr. ARCILLA (Philippines) said that, while aware of the apparent need to replace the present telephone system and of the savings involved in doing so as quickly as possible, his delegation was not convinced that the timing was opportune, in view of the Organization's financial difficulties. He requested the Director-General to keep Member States informed of progress on the matter.

32. The PRESIDENT drew attention to draft decision IDB.13/L.18, submitted under sub-item (c) on private sector development.

33. The draft decision was adopted.

34. The PRESIDENT said that draft decision IDB.13/L.16 was being submitted under sub-items (b) and (c). As had been pointed out, one paragraph of the draft decision, paragraph (f), had been kept in square brackets.

35. Mrs. OK (Turkey), speaking as chairman of the informal consultations, said it had now been agreed in last minute consultations that the square brackets should be removed from paragraph (f) and the following words added at the end of the paragraph: "taking into account paragraph (i) of this decision".

36. The draft decision, as revised, was adopted.

37. Mr. AKAO (Japan) said that his delegation had had reservations about the draft in its original form and continued to find it unsatisfactory, but it had not wished to press the matter to a vote. It considered, firstly, that, unless and until UNIDO's serious financial difficulties were overcome, it was premature to consider any further diversion of regular budget resources to technical assistance expenditure. Its second and more important objection was one of principle. It believed that, basically, technical cooperation programmes should be financed from voluntary contributions. Any proposal to study the advantages and disadvantages of the 6 per cent figure set as a regular budget ceiling for those programmes needed thorough discussion. His delegation looked forward to receiving the Director-General's report on the subject at the next session.

38. The PRESIDENT said that, under the first subject under sub-item (d), namely "Guidelines and procedures governing acceptance and funding", there was a draft decision contained in document IDB.13/L.19.

39. The draft decision was adopted.

40. The PRESIDENT said that, under the subject "Industrial Development Fund", there was a draft decision contained in document IDB.13/L.20.

41. The draft decision was adopted.

42. The PRESIDENT said that no draft decision had been submitted under the third subject of sub-item (d), "In-depth evaluation of special trust fund projects". He suggested that the Board should take note of the information provided by the Director-General in document IDB.13/24.

43. It was so decided.

44. The PRESIDENT drew attention to draft decision IDB.13/L.21 on the UNIDO Country Director programme (sub-item (e)).

45. The draft decision was adopted.

46. The PRESIDENT said that no draft decision had been submitted under sub-item (f), "Accounting standards". He suggested that the Board should take note of the information contained in document IDB.13/5 on the new accounting standards in the United Nations system and their application by UNIDO, as well as conclusion 94/10 of the Programme and Budget Committee.

47. It was so decided.

48. The PRESIDENT said that under sub-item (g), "Electronic data-processing programme", no draft decision had been submitted. He suggested that the Board should take note of the information provided in document IDB.13/20.

49. It was so decided.

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.13/13)

50. The PRESIDENT said that no draft decision had been submitted under the agenda item and suggested that the Board should take note of the progress report by the Director-General on the subject as contained in document IDB.13/13.

51. It was so decided.

INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS (INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (continued) (IDB.12/2; IDB.13/15, IDB.13/16, IDB.13/30; IDB.13/L.9-L.12)

52. The PRESIDENT drew attention to draft decisions IDB.13/L.9-L.12.

53. The draft decisions were adopted.

JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICES (continued) (IDB.13/17)

54. The PRESIDENT said that no draft decision had been submitted on the agenda item and suggested that the Board should take note of the information provided by the Secretariat on the subject.

55. It was so decided.

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (continued) (IDB.13/26; IDB.13/L.23)

56. The PRESIDENT drew attention to draft decision IDB.13/L.23.

57. The draft decision was adopted.

58. Mr. DE YTURRIAGA BARBERAN (Spain) said that the Spanish version of paragraph (d) of the decision was unclear.

59. The PRESIDENT said that the Secretariat would make the necessary amendments to the Spanish version.

ADMINISTRATIVE MATTERS

(a) JOINT INSPECTION UNIT

(b) INTERNATIONAL CIVIL SERVICE COMMISSION

(c) UNITED NATIONS JOINT STAFF PENSION FUND (continued) (IDB.13/18, IDB.13/23 and Add.1; IDB.13/L.24)

60. The PRESIDENT said that no draft decision had been submitted under sub-item (a) and suggested that the Board should take note of the recommendations of the Joint Inspection Unit and the

62. The PRESIDENT drew attention to draft decision IDB.13/L.24 relating to sub-items (b) and (c).

63. Draft decision IDB.13/L.24 was adopted.

PREPARATIONS FOR THE SIXTH SESSION OF THE GENERAL CONFERENCE (continued) (IDB.13/14; IDB.13/L.25)

64. Draft decision IDB.13/L.25 was adopted.

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (continued) (IDB.13/25; IDB.13/L.22)

65. The PRESIDENT informed the Board that he had received a petition signed by 556 UNIDO staff members which he would ask the Secretary to read out.

66. Mr. KAYALAR (Secretary of the Board) said that the staff members concerned noted in the petition that the Administration's study relating to the home leave entitlements of staff serving at UNIDO Headquarters demonstrated that the cost of providing those entitlements was lower in UNIDO than in all but one of the common system organizations surveyed, and expressed strong opposition to any attempts to disadvantage UNIDO staff still further by reducing those entitlements and restricting arrangements that had been shown to be efficient and economical.

67. The PRESIDENT said that he was bringing the petition to the attention of the Board for information only and had no intention of reopening a debate on the subject.

68. He drew attention to draft decision IDB.13/L.22. In the second line of paragraph (c), after the word "introduce" the following words should be added: ", and inform the Member States of,".

69. Draft decision IDB.13/L.22, as revised, was adopted.

PROVISIONAL AGENDA AND DATE OF THE FOURTEENTH SESSION (IDB.13/L.26)

70. Draft decision IDB.13/L.26 was adopted.

ADOPTION OF THE REPORT OF THE THIRTEENTH SESSION (IDB.13/L.1)

71. Mr. CURIA (Argentina), Rapporteur, introducing the draft report of the Board on its thirteenth session (IDB.13/L.1), said that the document was as complete as it could be at the present stage. Various particulars could not be inserted until the session had ended.

72. The PRESIDENT said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it, in consultation with his "Friends", as soon as possible after the close of the session.

73. It was so decided.

CLOSURE OF THE THIRTEENTH SESSION

criticisms, which had generally been constructive and frank and to which the Secretariat would give careful consideration, and the recognition by Member States of what UNIDO had achieved, though much remained to be done. He was gratified by the support shown by developing countries and those with economies in transition, as well as by the host State.

75. The Secretariat was sure that the constructive criticism of UNIDO was consistent with the view of States that there was a need for substantive reform of the United Nations system, and especially of cooperation for development. UNIDO was not exempt from the resulting crisis, but it had sought change and was achieving it. He had spoken at the end of the twelfth session (IDB.12/SR.6, para. 39) of the need to avoid the trap of complacency or excessive optimism and not to be content with the expression of good intentions. He and his staff realized, as he believed Member States did, that the way ahead was uncertain and subject to situations that were often beyond their control. The foremost problem was the Organization's financial situation. The maximum limit on the regular budget, the dramatic fall in UNDP contributions for technical cooperation and inherited rigidities had placed UNIDO in a strait-jacket. Nevertheless, the Organization had been able to respond. Staff had been reduced; objectives, programmes, mechanisms and procedures had been overhauled; progress had been made in the development of an institutional culture that aimed for excellence in the provision of services. While much remained to be done, what had been achieved in just 10 months would be hard to match. But time was needed to complete the task.

76. Although the regular budget posed problems, the essential problem lay in the operational budget. Project execution capacity needed to be strengthened, but donor countries had so far been reluctant to increase their contributions to IDF or to channel more resources to UNIDO through UNDP. The Organization thus found itself in a vicious circle: it was told that more funds would be forthcoming only if there were viable projects, but viable projects could not be identified unless a minimum of funds was guaranteed. That the vicious circle could be broken was shown by the success of UNIDO with environmental projects funded under the Montreal Protocol. Clearly, the technical staff of UNIDO could generate and promote innovative ideas that would have a direct impact on the industrial development of the developing countries if resources were available. But the Organization must act also on other fronts, where the requirements of developing countries were many but finance was lacking.

77. As several representatives had said, UNIDO should not be strangled. If some Member States did not wish to have UNIDO, they should say so unequivocally. An organization with a regular budget of $100 million was unjustifiable unless it was given additional resources for technical cooperation or the financial flexibility and time needed to achieve the desired results. He wished at that point to express appreciation for the payments made during the current week by some countries, in particular by Cameroon, which had paid its assessed contribution up to 1997, and he would also like to mention the voluntary contri-

78. He could not fully understand the argument of some countries that were requesting yet more prioritization despite the agreements reached at Yaoundé and the detailed explanations of what had already been done. The resources of UNIDO came mainly from voluntary contributions and trust funds, and it was the donors who set the priorities and approved the projects. The resources still remaining for prioritization amounted to very little.

79. The Secretariat was aware that UNIDO needed to focus increasingly on areas and projects that were strategically significant and where it possessed a real competitive advantage over other international organizations and institutions. He believed that the Organization was moving in the right direction. A sizeable proportion of the total funds for projects approved up to October 1994 had been earmarked for projects covering the priority themes identified at Yaoundé and other areas where huge growth potential existed. The thematic documents prepared on the basis of developing countries' needs would be made available to the Board before the next session of the Programme and Budget Committee and he hoped to present, during the first quarter of 1995, a document setting out the final criteria for programme and project analysis and selection, including a more specific list of priority and non-priority activities, taking into account the Organization's available human resources and its competitive advantages.

80. Dialogue with Member States was to be encouraged and the Secretariat would welcome their opinions. However, the entire pre-Yaoundé debate should not be reopened. It would be a pity to forfeit what had been achieved for the sake of perfectionism. The Secretariat had a right to know what Member States wanted. Once the prioritization exercise was completed, it was hoped that present and future donor countries would contribute directly or assist the Organization in indirectly generating the necessary financial resources for its programmes.

81. In the interests of effective communication with Members, he planned to hold a series of briefing meetings on selection priorities and criteria and also on aspects relating to the identification, selection and rejection of technical cooperation projects and on the status of project and programme implementation. In response to requests made by Board members, he intended to arrange a special informal meeting at Vienna in early 1995 to explore possible ways of rationalizing the working methods of UNIDO's policy-making organs, and he would also organize a briefing meeting on progress in the procedure for the selection of the new telephone equipment. Moreover, he intended to hold periodic meetings with the various regional groups to deal with issues of mutual interest, such as efforts to achieve a more equitable geographical representation.

82. The word "crisis" had been much heard in the past in the corridors of the Organization. In the Chinese language, that term was composed of two characters, one denoting danger and the other opportunity. With the clear position adopted through the decisions taken at the current session, he believed that the dangers were being

the time of the Organization's establishment. They lay in the changing conditions of the economy and industry, their globalization and interdependence and their strategic role in social development. The time had thus come to send out a clear message that, now more than ever, Member States needed to promote industrial development and could rely on a revitalized UNIDO to complement their own efforts effectively through international cooperation.

83. The PRESIDENT said that the session had been successfully concluded with the adoption by consensus of the draft decisions before the Board, many of which were concerned with issues of vital importance in translating the Yaoundé Declaration and the results of the fifth General Conference session into constructive programmes and projects designed to meet the aspirations of the developing countries. Special thanks should be extended to the chairman of the informal consultations, whose wisdom and perseverance had helped to bring about that consensus. The valuable contributions made by the delegations had also played an effective part in paving the way for the adoption of the decisions and in sharpening the Board members' focus on the issues involved.

84. Despite the differing views expressed during the session on the prioritization of UNIDO's activities, two important aspects had received general support: the emphasis to be placed on promoting the development of the African States and the special priority to be accorded to the least developed countries.

85. Some delegations had commented on the reform measures that should have been taken. It should not be forgotten that less one year had elapsed since the Yaoundé Conference session, which was far too short a period for achieving all the ambitious objectives agreed on there. Sufficient time was needed for the required steps to be taken, and the resources available to the Organization were still meagre.

86. It was necessary for a transparent dialogue to be maintained between Member States and the Secretariat on a continuing basis. UNIDO's advancement required that the efforts of the Secretariat and those of Member States, which were complementary, should be interlinked. The exchange of ideas and views should not be reserved only for sessions of the Board or General Conference.

87. Finally, he wished to thank the Director-General for his assistance and the Managing Directors for their contributions. Thanks were also due to the Secretary of the Board, the members of the Bureau and the Secretariat staff.

88. After the customary exchange of courtesies, he declared the session closed.

The meeting rose at 5.25 p.m.

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IDB.13/SR.1-8/Corr.1
29 August 1995

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Thirteenth session

CORRIGENDUM TO THE SUMMARY RECORDS OF THE 1st to 8th MEETINGS

Held at the Vienna International Centre, Vienna,
from 7 to 11 November 1994

This corrigendum contains corrections to the summary records of the thirteenth session of the Industrial Development Board (IDB.13/SR.1-8).

With the issuance of this corrigendum, the records of all meetings of the thirteenth session of the Industrial Development Board may be considered final.

IDB.13/SR.2

Paragraph 16

Line 13: *for* Montreal Fund for Development *read* Montreal Fund

IDB.13/SR.5

Paragraph 40

Line 1: *for* Observer for Lebanon *read* Lebanon

Paragraph 74

Line 6: *for* IPF *read* IPS

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